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The COMMERCIAL & FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

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OUR REPORTER'S REPORT

Bankers handling the Dominion of Canada's projected big refunding operation are expected to open books for public subscriptions a week from today.

The refinancing, initial plans for which were announced a week ago, was covered in a registration statement filed with the Securities and Exchange Commission several days ago. Morgan Stanley & Co., New York, will head the underwriting group.

The issue will total $90,000,000 and include $30,000,000 2½s, due Jan. 15, 1948, and $60,000,000 3s, maturing $30,000,000 each in 1953 and 1958.

The financing is the largest undertaken, outside war loans of the United States Treasury, since the $100,000,000 American Tobacco Company operation last year.

Purpose of the financing is to provide funds, together with Dominion Treasury cash, for the refunding of $100,000,000 of outstanding Dominion 30-year 5% bonds due in 1952.

The latter issue will be called for payment on or about March 15 next at principal amount plus accrued interest to the date of redemption.

Prices for the new issues, for public offering, will be set in an amendment to the registration statement to be filed in due course by the issuer.

Terms of New Bonds

As set forth in the registration statement, the new five-year 2½% bonds, maturing in 1948, are subject to call, at the option of the Dominion, in whole but not in part, on or after Jan. 15, 1947 at par and accrued interest upon 30 days notice.

The 3 per cents, maturing in 10 years, may be redeemed by the

(Continued on page 61)

HOW DID WE GET THIS WAY?

THE ANATOMY OF CAPITALISM

By H. B. LOOMIS and JOHN B. KNOX
of John B. Knox & Company

Part IX

It should be obvious to anyone who thinks at all that everything that anyone possesses is the result of past or present effort. Industry, therefore, is the first duty of man, as every human being must ultimately subsist upon the fruits of someone's labor. This law is as valid for the future as it is has been for the past, and social planners will serve humanity best when they realize the justice of its dictums. There is no chance that the miracle of Galilee will be repeated.

Man is not sustained by either present or future labor but by past labor, which is capital, the function of which is to bear the time lag and the risk. While the grain is growing, we consume the fruit of other harvests. The decrepit arguments to the contrary are sheer casuistry; they border on the periphery of the ridiculous and need to be strained through the screen of common sense. If all products were consumed as rapidly as produced; if all men lived in the present instead of looking to the future; if everyone looked to the Government for support in their old age, sickness or times of depression, reversion to barbarism would be inevitable and rapid. As a matter of fact, if the instinct to progress, to get ahead, to learn, to save, had not been dominant in some men, civilization would have been impossible and the malcontents, the inefficients and those who make political capital out of their imaginary grievances would not be here. **The tragedy of existence is not that many men fail but that few seldom really try.**

The destruction of wealth—and its redistribution by political metathesis is destruction—spells the eclipse of civilization. Every agreement which restricts or limits production, whether entered into by corporations to control markets, by labor unions to control work, or encouraged by governments to control crops, is an economic crime; a direct theft from the standard of living of everyone.

One fundamental human duty is economy or the careful consumption of the products of industry. It is the duty of the individual and the duty of the State. A profligate government, however, is something more than a wastrel, it is a thief, and the directors of its policy, no matter how selected or what they are called, are of the same flimsy quality as all thieves.

When elections are influenced by Government largess the depths of depravity are reached and the foundations of democracy and a sound economic system are shattered at their base.

(Continued on page 59)

Our Reporter On "Governments"

We expected premiums, all right—in fact predicted them on the 2½s and 1¾s in this column almost immediately after the December drive began. . . . But premiums of 18/32 on the "on sale" 2½s and premiums of 9/32 on the 1¾s, and even premiums on the ⅞% certificates are something to ponder over following a $12,000,000,000 borrowing! . . . Particularly is this noteworthy when you remember that this time unlimited subscriptions by non-banking sources were permitted and encouraged. . . . Particularly is this noteworthy when you remember that these big premiums began appearing immediately after the books closed. . . . There's a story in this and it's a story of first importance, at least from the intermediate point of view, to every investor in Governments. . . .

Where is the demand coming from? . . . Before answering that question, one doubt or suspicion must be removed from the minds of observers. . . . This is not inside-the-market maneuvering. . . . The dealers have been active in the market, admittedly, and we know the professionals bought large amounts of the 1¾s and ⅞s. . . . The brokers' loan figures—which showed a rise from $584,000,000 to $952,000,000 in the period from December 2 to December 23—tell us that clearly. . . . Brokers' loan advances these days usually mean purchases of Government securities on margin—not increased speculation in stocks. . . . But the dealers aren't powerful enough and don't own enough of the 2½s (or the others) to boost the market price level as much as has been indicated. . . . That's definite . . . And inquiries around the financial district confirm the statement beyond a shadow of doubt. . . .

So where is the demand coming from? . . . From small investors mostly, for the purchases recently on the premium side have been in small blocks, ranging from 10 to 100 bonds. . . . From trust funds and estates and portfolios anticipating their January requirements. . . . From individuals who held off to see how the market would act and who now are sorry they didn't subscribe at 100. . . . From corporations which have accumulated funds since Dec. 23 and which don't want to hold off until April for a chance to get back into the market and which aren't familiar with other types of Governments available. . . . (The publicity given to the December basket is a factor here). . . . From regular, bona fide buyers, in short, who feel investment now is better than idleness for three months, and from sources who have gathered funds on a seasonal basis. . . .

What is remarkable is not that the December issues are at premiums but that the premiums should be so high and should be indicating further advance. . . . What is remarkable is the continued magnificently strong performance of the Government market even after the need for a "good appearance" has disappeared. . . .

THE TWO "2½s"

The new "on sale" 2½s of 1968/63 are selling around 100 18/32. . . . They're available in coupon or registered form. . . .

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Townsend, Graff Co. Admit Chas. W. Wright

Townsend, Graff & Co., 120 Broadway, New York City, members New York Stock Exchange, announce that Charles A. Wright has been admitted to general partnership in the firm.

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NYSE Wage Dispute Certified To WLB By Secretary Perkins After Conciliation Failure

After an unsuccessful effort to settle the dispute over wages and union security between the New York Stock Exchange and members of the New York Stock Exchange Employes Independent Association, the controversy has been certified to the National War Labor Board by Secretary of Labor Perkins. Involved are about 400 employes of the Exchange represented by the union which is an independent body, affiliated with neither the C. I. O. nor the A. F. of L.; these consist of almost all the floor workers, but less than half of the present personnel of the Exchange as a whole.

Negotiations between the union and the Exchange began in October, with a demand by the union for wage increases, vacation pay, insurance, time off and overtime.

"We agreed on everything," said Emil Schram, president of the Exchange, "save their demand for what I call a closed shop. They wanted us to fire anybody taken on who did not join the union within a certain period. We did not agree to that. They then took the case to the Department of Labor and an arbitrator was sent here. We did not recede from our position on the closed shop, so he made his report early in November and it has just now been referred to the War Labor Board."

Mr. Schram declared that wage increases for floor employees of the Exchange since the beginning of 1941 have aggregated about 20% and added that he had some doubts that the War Labor Board would even approve the most recent wage increase granted in the October negotiations with the union.

Williams Municipal Mgr. For Byllesby

H. M. Byllesby and Company Inc., announce the appointment of Edward H. Williams as manager of the municipal department of their New York office, 111 Broadway.

Mr. Williams was recently associated with Starkweather & Co., and prior thereto was a partner in Ward & Williams, and was with Lord & Widli and Dougherty, Corkran & Co.

J. C. Mickle With Glidden, Morris Co.

J. Clifford Mickle, for the past 24 years identified with the investment securities business in Wall Street, and a recent partner of Berdell Brothers, has become associated with Glidden, Morris & Co., 72 Wall Street, New York City.

WE ARE PLEASED TO ANNOUNCE THAT
MR. HARRY F. REED
FORMERLY MANAGER
TRADING DEPARTMENT OF HARDY & HARDY
HAS BEEN ELECTED A VICE-PRESIDENT
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N. Y. Security Dealers Re-elect Frank Dunne

Frank Dunne, of Dunne & Co., was re-elected Jan. 5, as President of the New York Security Dealers Association. He has been President since 1937, and has been a member of the Association since 1930.

Also re-elected were:

Clarence E. Unterberg, C. E. Unterberg & Co., 1st Vice-President; John J. O'Kane, Jr., John J. O'Kane, Jr., & Co., 2nd Vice-President; Tracy R. Engle, Engle, Abbot & Co., Inc., Secretary; Fred J. Rabe, F. J. Rabe & Co., Treasurer.

The following Governors were re-elected to serve for three years:

Frederick C. Kraehling, Fred H. Hatch & Co., Inc.; John J. O'Kane, Jr., John J. O'Kane, Jr., & Co.; Clarence E. Unterberg, C. E. Unterberg & Co.

Theodore C. Corwin, T. C. Corwin & Co., and Percival J. Steindler, P. J. Steindler & Co., were elected to serve for one year.

The members of the Regular and Special Committee were also appointed to serve for the current year.

Lackawanna Possibilities

The leased line securities of the leased line securities of Delaware, Lackawanna & Western offer attractive possibilities at the present time according to a bulletin on these issues in the current issue of "Railroad Securities Quotations," published by B. W. Pizzini & Co., 55 Broadway, New York City. Copies of the "Quotations" containing this interesting bulletin and quotations on guaranteed rail stocks underlying mortgage rail bonds, reorganization rail bonds, minority stocks and guaranteed telegraph stocks may be had from the firm upon request.

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Clifford Drake Joins Blair Co. As Mun. Mgr.

Clifford Drake has joined the municipal bond department of Blair & Co., Inc., 44 Wall Street, New York City. Mr. Drake was formerly associated with H. M. Byllesby and Company, Incorporated, in New York City, in charge of their municipal bond department; prior thereto he served in the same capacity in the New York office of H. C. Wainwright & Co.

Auville Eager Retires As Mackubin, Legg Partner

BALTIMORE, MD.—Mackubin, Legg & Company, 22 Light Street, members of the New York and Baltimore Stock Exchanges, announce that Auville Eager has withdrawn as a member of the co-partnership heretofore existing between him and the firm. In connection with this announcement, Mr. Eager states that he will continue his investment banking activities as a representative of the firm.

John C. Legg, Jr., Laurence M. Simmonds, Howard E. Demuth and Joseph W. Sener will continue to carry on the investment banking and brokerage business of the firm under the same name.

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JANUARY 1, 1943

COMMERCIAL and FINANCIAL CHRONICLE
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Editor and Publisher
William Dana Seibert, President
William D. Riggs, Business Manager

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E. M. Bradley & Co. Celebrates 75 Years

Edward M. Bradley & Co., Inc., 215 Church Street, New Haven, Conn., the oldest investment house in the State of Connecticut, is celebrating the firm's 75th anniversary. An anniversary booklet entitled "75 Years of Service to Investors" has been published for distribution to the firm's clients and interested investors. An interesting feature of the booklet is a list of Connecticut securities with unbroken dividend records of 25 years or more.

125th Anniversary Of Brown Bros. Harriman

Marking the beginning of its 125th anniversary year, the private banking firm of Brown Brothers Harriman & Co., 59 Wall Street, New York City, has made use of its year-end published statement of condition to call attention to its latest milestone.

Brown Brothers Harriman & Co. is one of the few institutions in N. Y. City with a continuous business existence of 125 years. The original bank dates from 1818, when the house was founded in Philadelphia. The New York office was opened in 1825, and the Boston office in 1844. The firm's present name dates from January, 1931, when the businesses of Brown Brothers & Co., Harriman Brothers & Co. and W. A. Harriman & Co., Inc., were combined. The New York, Philadelphia and Boston offices continue to conduct a complete domestic and foreign banking business.

In its early history, the bank was directed by the three younger sons of Alexander Brown, who was born in northern Ireland in 1764 and emigrated to Baltimore in 1800 with his oldest son, William, to engage in business as importers of Irish linen. A few years later Alexander Brown's younger sons completed their education in Yorkshire and came to America, while the oldest son went to Liverpool and formed his own firm, which later developed into the London private banking house of Brown, Shipley & Co.

Brown Brothers Harriman & Co. has always been a private bank. From its earliest days it has been engaged extensively in financing domestic and foreign trade and in serving the banking needs of American commerce and industry. The present partners include direct descendants of the founders and the bank, with present resources of over $160,000,000, continues to take an active part in its traditional field of commercial banking.

Edward Emmons Now With Reynolds & Co.

SYRACUSE, N. Y.—Edward L. Emmons has become associated with Reynolds & Co., State Tower Building. Mr. Emmons had been an individual dealer in Syracuse since 1910.

We are pleased to announce that

MR. FREDERICK L. SCHUSTER

has this day been admitted to our firm
as a General Partner.

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JANUARY 2, 1943

NASD Board To Meet; Will Discuss Wartime Economic Problems Of Securities Business

Board of Governors of the National Association of Securities Dealers, Inc., will hold its annual organization meeting in Chicago, Jan. 18-19, H. H. Dewar, Chairman, announced. Representing 2,300 brokers and dealers throughout the country, the 21 members of the Board will meet to discuss war-time economic problems of the securities industry, future plans for aiding in the Government's war financing campaigns, as well as the Association's 1943 program. NASD is the self-regulating instrument of the securities business to which the majority of brokers and dealers belong.

The meeting January 18 will be devoted to a review of activities in 1942. Officers for 1943 will be elected at the meeting the following day at which seven new governors also will be inducted into office. Retiring governors are:

H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio, Texas; Robert W. Baird, The Wisconsin Company, Milwaukee, Wis.; B. Howell Griswold, Jr., Alex. Brown & Sons, Baltimore, Md.; William A. Fuller, William A. Fuller & Co., Chicago, Ill.; Laurence M. Marks, Laurence M. Marks & Co., New York, N. Y.; John A. Prescott, Wright, Snider Company, Kansas City, Mo.

In addition to election of a Chairman to succeed Mr. Dewar, the Board, on January 19, will elect Vice-Chairmen, the Treasurer, Chairman of the Finance Committee, and the Executive Director.

H. F. Reed Is V.-P. Of Hill, Thompson & Co.

Hill, Thompson & Co., Inc., 120 Broadway, New York City, announce that Harry F. Reed, formerly manager of the trading department of Hardy & Hardy, has been elected a Vice-President of the company. Mr. Reed is a director of the Security Traders Association of New York.

We wish to announce that

MR. E. STUART PECK

who has been a general partner in our firm has
become a limited partner.

We are pleased to announce the admission to
partnership of

MR. CALVIN D. DALE

who has been associated with us for many years.

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NY Curb Renominates Moffatt For President

Fred C. Moffatt, President pro tem of the New York Curb Exchange since July 1, 1942, when George P. Rea resigned from that office, has been renominated as chairman of the board of governors of the Exchange for a one-year term. The nominating committee, under the chairmanship of Harry A. Tracy, also designated candidates for the board of governors and trustees of the gratuity fund. Elections will be held on Feb. 8, 1943.

John S. McDermott, chairman of the public relations committee of the Exchange, was nominated as a class A member of the board of governors for a one-year term.

Nominees as class A members of the board of governors for a three-year term are Andrew Baird of Josephthal & Company, Philip W. Brown of Smith, Barney & Company, H. Lawrence Jones of Eastman, Dillon & Co., John A. Ludlow of J. A. Ludlow & Company, and Herbert G. Tully.

Nominated as class B governors for a two-year term were Paul L. Hughes of Gude, Winmill & Company, John F. Wark of Merrill Lynch, Pierce, Fenner & Beane, and John Whitney of Baker, Weeks & Harden.

Class B nominees for a three-year term are Casper C. deGersdorff of Harris, Upham & Company, Benjamin B. McAlpin, Jr. of Laird & Company, Albert G. Redpath of Auchincloss, Parker & Redpath, and William S. Wilson of Montgomery, Scott & Company.

George Herrel and Clarence L. Eckstein were nominated as trustees of the gratuity fund for a three-year term.

Mr. Moffatt has been a member of the Exchange since 1923 and served as President from 1935 until 1939.

Municipal Sec. Co. In Greensboro, N. C.

GREENSBORO, N. C.—Wiley A. Sykes and Etha G. Hall announce the formation of a partnership to conduct an investment securities business under the firm name of Municipal Securities Company, Guildford Building, as successors to the corporation of Bray Brothers Company. Both were formerly officers of the latter corporation which was established in 1890.

Am. Cyanamid Looks Good

The 5% cumulative preference stock of the American Cyanamid Company offers an attractive situation at the present time according to an interesting memorandum just issued by Bristol & Willett, 115 Broadway, New York City. Copies of this memorandum may be had from Bristol & Willett upon request.

Brown Co-Manager In Cgo.

CHICAGO, ILL. — Salomon Bros. & Hutzler announced that Harry Brown has been appointed co-manager of their Chicago office, 231 South La Salle Street. Mr. Brown has been with the firm in Chicago for many years.

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New York City
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Memorandum on Request

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Incorporated
Members New York Security Dealers Association
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REAL ESTATE SECURITIES

Record of Herald Square Building Since Reorganization Original $2,500,000 Mortgage Reduced To $1,530,000

Pursuant to a plan of reorganization covered by the execution of a Supplemental Trust Indenture, new first mortgage leasehold sinking fund income bonds were exchanged on a par for par basis for the old Herald Square Building first mortgage leasehold 6s. At the time of issuance of the new bonds, the original $2,500,000 mortgage had been reduced $471,000 to $2,029,000.

The Supplemental Indenture provided for interest at 3½% per annum, if earned, plus additional income interest up to but not exceeding 1½% per annum, if earned, until issue had been reduced to $1,000,000, thereafter annual interest up to 6% per annum from available net income. Sinking fund based on earnings is as follows: Until the issue is reduced to $1,000,000, net income up to $101,450 per annum shall be applied, first to interest up to 3½%, the remainder of the $101,450 to sinking fund for purchase and redemption of bonds, 40% of surplus above $101,450 used in an amount sufficient to pay additional income interest up to 1½%, then any residue of the 40% plus the other 60% to go into sinking fund for further purchase and redemption of bonds. After the issue is reduced to $1,000,000 available net income shall be applied, first to payment of 6% per annum interest on the bonds, the residue, if any, one-half for purchase and redemption of bonds, the other half for other corporate purposes.

From the date of the new indenture, March 1, 1936, through June, 1940, earnings from the property were sufficient to provide sinking funds for the retirement of $325,000 bonds, reducing the issue to $1,704,000, and to set aside a cash contingent reserve fund of $50,000.

In October, 1939, Rogers Peet & Co. vacated space formerly occupied by them in the main building and the old 2½-story structure immediately adjoining, operated as a unit. Annual rental paid by Rogers Peet & Co. was $100,000. The owners of the property were confronted with the problem of expending $40,000 to $50,000 to place the vacated space in a rentable condition which when ready could not produce rentals commensurate with the expenditure, and at best have an improvement adequate for the land covered; or to entirely demolish the old building and erect a larger and more modern structure.

Bondholders under date of Jan. 31, 1940, were advised of these facts, and further that it was the intention of the company to proceed with demolition and to erect a modern four-story structure with basement, stores on the ground floor and loft space or showrooms above. Construction work started March 1, 1940, and on Nov. 6, 1940, the new building was approved as complete by the City of New York, cost of demolition and construction amounting to $225,529.96. Payment was made by the use of the $50,000 cash contingent reserve fund and by the use of amounts available from earnings for sinking fund.

Sinking fund operations were resumed after construction costs were paid. Amounts available for sinking fund since have been as follows:

June 30, 1941	$19,204.55
Dec. 31, 1941	41,874.46
June 30, 1942	38,685.82

Retiring $174,000 in principal amount of bonds to reduce the issue to $1,530,000. The amount available as sinking fund for the period ended Dec. 31, 1942, is approximately $40,000 and will be used for further purchase and retirement of bonds. Total interest paid for 1942 amounted to $48.85 per $1,000 bond.

The bonds are secured by a direct first closed mortgage on the leasehold estate in the land (extending about 212 feet on Broadway, 197 feet on Sixth Avenue, 60 feet on 35th Street and 136 feet on 36th Street; comprising about 20,000 square feet) together with the buildings erected thereon. The main building is a 24-story structure of fireproof steel construction having a rentable area of approximately 280,000 square feet. The new four-story wing has a rentable area of about 40,000 square feet. These buildings are diagonally opposite the R. H. Macy & Co. corner at Herald Square.

The assessed valuation of the land and buildings is $4,080,000.

TRADING MARKETS IN
REAL ESTATE
SECURITIES
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Bell Teletype NY 1-953

Twin City Traders Wednes. Round Table

MINNEAPOLIS, MINN. — The Twin City Bond Traders Club announces that it has just completed plans to hold regular luncheon meetings every Wednesday from 11:30 to 2:00 at Mrs. Jones Rand Tower Garden in a private room reserved for the Traders Club.

The hours have been arranged for flexibility to permit "staggering" of lunch time for men on the trading desk. There is no minimum charge—it is every man for himself.

Tomorrow's Markets Walter Whyte Says—

Bullish rail forecasts not convincing. Think rail market action gives better clue than impressive statistical array. Industrials still against offerings. Look for news to break market out of rut.

By WALTER WHYTE

As this goes to press the eyes of Wall Street are peeled on three things. The new Congress, the Rails and, in the background, the War. Of the first there are high hopes based on little more tangible than that a conservative Congress will put a stop to bureaucracy. Republican leader Joseph Martin has already announced, "We shall insist upon radical reduction of Government expenses." Then in the next breath adds, "—we shall respond promptly to every request for money needed for the prosecution of the war." So if anybody is laboring under the delusion that taxes will be reduced they are in for a rude awakening.

* * *

The rails as everybody in the Street knows have been step-children since back in 1930 or so. But now talk is gathering momentum that the group is finally about to emerge from its lonesomeness. One of the arguments presented is that the rails have finally achieved a favorable ratio between market price and property investment.

* * *

Total value of all classes of rail securities is now about $18,000,000,000. Investment in property account is now about $26,000,000,000. The assumption naturally being that buyers of rail securities at this time are not only getting actual value but are obtaining earning power for nothing. In line with this theory it can be shown that many rails are therefore selling at one or even less times earnings.

* * *

Seeing these, and more powerful arguments one is tempted to buy into what appears such a favorable situation. Unfortunately things in the market seldom work out so simply or so well.

* * *

Two and two make four any place in the world but in the market. There is a little thing called public psychology to consider. If anyone could figure out what makes a public fight to buy stocks selling for say 10 times earnings at one time, and makes the same public turn up its nose at the same stocks when available at say two times earnings, he would come a lot closer to profits than a close study of all the balance sheets and income statements could give him.

* * *

Of course you will say the public is no longer in the market, it's the all powerful "They" who do the real buying today. Yet the fact remains that unless these "Theys" find a public to whom they can sell their stocks, losses are inevitable. For after all is said potential buyers of securities never become more than potential unless they feel that sometime in the not too distant future they can sell their stocks for more than they paid. Even the investor who is interested in yield, rather than in market value, isn't totally disinterested in market possibilities. All this brings the problem of buying and selling down to the question of: What about the market?

* * *

At the end of 1942 the rail averages closed at 27.39. Up to the time this was written they managed to go up to 28.32. The high for 1942 was 29.28, low 23.31. For the past two and a half years the rails have made at least six attempts to push through a 29 to 31 range. Each time they have failed. Now they are again in the limelight for two reasons. The first was given above. The second is the importance most technicians give to what is called a confirmation of the Dow Theory.

* * *

According to this theory no bull market can be called that unless and until both averages (rails and industrials) confirm each other by moving into new high ground. The industrials have done so. The rails have not. You can see then how important it is, psychologically, for the rails to advance. But here I believe the wish becomes father to the thought. So all kinds of statistical arguments are trotted out to prove the rails must go up.

(Continue don page 53)

Dick & Merle-Smith Admit

Allan B. Cook and John Melcher will be admitted to partnership in Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, as of Jan. 14.

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UP-TOWN AFTER 3

AROUND THE TOWN

Sonny Dunham, the band leader and virtuoso on the trombone and trumpet, opens at the **New Yorker Hotel** to an audience which goes slightly mad as it hears him give out. . . . **The Hartmans**, the funniest dancing team we have ever seen, open this Friday evening in the **Wedgewood Room** of the **Waldorf-Astoria.** Others on the same program will be **Tito Guizar, Carmen Cavellaro** and his orchestra and **Mischa Borr** and his rumba band. . . . **Betty Bryant** of the velvety voice opens at the East Side **Mon Paree** tonight. . . Now that everybody knows about this good-will business as applied to Latin America, night club owners have thought up a new one—now this good-will is to apply to North Africa. A couple of weeks ago a fancy bar and grill, all done up in silks and satins to look like an American's idea of what a sheik's tent should look like, called itself the **Casbah** and opened its doors—or is it flaps—to a no doubt panting public. And tonight another one opens. The latest to cash in on Yankee activity in the North African desert calls itself the **Algiers** and is at **23 West 8th Street.** Will report to you about it at some later date (if it's still around). . . . You'd think, with rationing and everything, night clubs and restaurants would have their hands full just in keeping open without new ones rushing in. So another place is scheduled to start business tonight. This one calls itself **The Cafe Maxim (744 East 55th)** and already brags about its "famed" French chef, Jean Haquenen. Run by Max Hirsch, its show will consist of a couple of girl singers, Nancy Donovan and Ruth Winton. The latter, according to the publicity man, is "a thrush with a different style" —whatever that means. Others on the program will be Muriel Burton, pianist; Tommy Bruno, violinist, and dance music by Lou Martini and his band.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 52)

I might add that I'm not impressed with either the arguments or the action of the rails. On the contrary the plethora of good rail forecasts in the face of the poor rail market action is far from a bullish sign. To me it is something entirely different.

* * *

Now for the industrials.

This column has been on record for the last two weeks to the effect that enough resistance was ahead to stop any additional advance. This has been seen. Resistance to advance also leads to other things. One is dullness. The other is decline. The first we are now witnessing. The second is still a possibility. As much of the present market is so completely dominated by developments in Washington and news from the fighting fronts it would be presumptuous to give a definite opinion. The market shows by its hesitant action that it too is in doubt of near term developments. So until it breaks out of its trading range, one way or another, the advice to keep stops in the securities held by you must still apply.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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RAILROAD REORGANIZATION SECURITIES

RAILROAD SECURITIES

Late in December an Interstate Commerce Commission examiner brought forth a reorganization plan for Chicago, Indianapolis & Louisville (The Monon) which, if upheld by the Commission as a whole, will add further substantial proof to earlier signs that that body is determined that war-induced traffic and earnings booms are not to color reorganization procedure. The Monon, controlled by Louisville & Nashville and Southern, had had a particularly poor depression record, with operating costs not even covered in three of the ten years 1932-1941, inclusive. In more recent years, however, there has been growing evidence of more generous traffic interchange allotments from the parent companies and by 1940 the deficit had been reduced to nominal proportions. In that year the old fixed charges were 93% earned.

In each of the past two years operations have been conducted profitably with old fixed charges covered 1.54 times in 1941 and estimated coverage of about 1.75 times in 1942. Despite this sharp recovery, in the course of which cash has been built up to more than three times present annual fixed charges, the newly proposed reorganization contemplates that interest on even the new First Mortgage shall be contingent on earnings. Fixed charges are to be held to $163,000 or a reduction of about 90% from the old level.

Contingent charges would be held to around $1,025,000, of which $371,289 would be represented by interest on the new 1st Mortgage 4¼s and $353,563 by interest on the 2nd Mortgage 4½s. Ranking behind the 1st Mortgage interest but before 2nd Mortgage requirements there would be a sinking fund of $50,000 for the 1st Mortgage, and a capital fund equivalent to the greater of 2% of gross or $200,000. Following 2nd Mortgage bond interest there would be a sinking fund of $50,000 a year for that issue.

Under the plan, unsecured claims and the old equities would be eliminated as having no value. Nevertheless, recognition was given to the importance of continuing control of the properties by the present parent companies, and the essential nature of interchange traffic from the parent roads if operation of the properties is to be continued. In the twelve years through 1941 more than 20% of Monon's total traffic came from these sources.

There would be two classes of common outstanding — 337,613 shares of $25 par value Class "A" and 248,785 shares of no par Class "B". The latter would carry voting control. All of the Class "B" stock would be placed in a Voting Trust and 50% would be allocated to Louisville & Nashville and Southern conditionally. The voting trustee would have the power to distribute this stock to the parent companies, conditioned on satisfactory traffic interchange agreements. The parent companies would have to increase their traffic contribution to the reorganized company as well as bending their best efforts to promoting the business and traffic of the Monon. Naturally, the whole success of the reorganized property, and the potential earning power of the new securities, will depend largely on the cooperation of Southern and Louisville & Nashville along these lines. Lacking such cooperation it is doubtful if even the new 1st Mortgage could show any real or consistent earning power under normal conditions.

Even with the support of the two parent companies it is doubtful if the new common stocks would show earning power except under extraordinary conditions such as we are now experiencing. It is likely that they would sell at no more than nominal prices. Until the efficacy of any new traffic agreements had been proven, the contingent interest mortgage bonds would also presumably sell to reflect the past dreary earnings history of the properties. Prices of perhaps 40 for the 1st 4¼s and 25 for the 2nd 4½s would appear liberal at this time, and under present market conditions. On the basis of such estimated values, the various Monon bonds are obviously lacking in speculative appeal while still so remote from possible consummation of reorganization.

The following tabulation shows the allocation of new securities to outstanding bonds:

	1st 4¼s	2nd 4½s	"A" Com.	"B" Com.
Refunding 6s, 1947	$532.00	$500.00	$538.00	
Refunding 5s, 1947	500.00	470.00	505.00	
Refunding 4s, 1947	468.00	440.00	472.00	
1st & Gen. 5s, 1966	47.12	20.66	22.16	16.5 shs.
1st & Gen. 6s, 1966	50.73	22.22	23.86	17.8 shs.
Indianapolis & Louis. 4s, 1956	468.00	440.00	472.00	

We maintain net trading markets in most of the medium-priced Rail Bonds, particularly obligations of

New York Central
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We are generally able to offer registered bonds of these roads at substantial concessions from current coupon bond market.

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Minn. & St. Louis New Com., W.I.
Minn. & St. Louis New 2nd 4s, W.I.
Minneapolis & St. Louis 6s 1932
Minneapolis & St. Louis 5s 1934
Minneapolis & St. Louis 4s 1949
Minneapolis & St. Louis 5s 1962
Iowa Central 5s 1938
Iowa Central 4s 1951
Des Moines & Fort Dodge 4s 1935

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AMERICAN MADE MARKETS IN CANADIAN SECURITIES

CANADIAN STOCKS
Brown Company com. & pfd.
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Canadian Bank Stocks
Canadian Indus. A. B. & pfd.
Crow's Nest Pass Coal Co., Ltd.
Electrolux Corp.
Fanny Farmer Ltd.
Halifax Insurance Co.
Noranda Mines, Ltd.

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52 WILLIAM ST., N. Y. HAnover 2-0980
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New York Montreal Toronto

Defaulted RR. Bond Index

The defaulted railroad bond index of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, shows the following range for Jan. 1, 1939, to date: high—44; low—14¾; Jan. 6 price—40⅜.

In preparing the Index, Seaboard Airline Railway 1st 4s of 1950 have been substituted for Wabash Railway 2nd 5s of 1939.

First State Corp. Officer

TOLEDO, OHIO — William W. Newman has been elected secretary-auditor of the First State Corporation, Edison Building.

We have in preparation a study on

"THE CURRENT OUTLOOK for the SEABOARD AIR LINE"

which will be available January 11th

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Bank and Insurance Stocks

This Week — Insurance Stocks

By H. A. LEGGETT

In general, it is expected that the new year will bring greatly accelerated military action on the part of the United States and greatly enlarged civilian regulation.

How will these developments affect the Insurance Industry? No one can answer that question categorically but, perhaps, a few generalizations can be made. First, and most important, the insurance business will not be subject to rationing. Neither the product which it sells nor the ingredients which go into such product are subject to priorities or shortages, except for the man-power problem which is common to all. The personnel situation may or may not become acute depending upon the degree to which our mobilization is carried and the severity used in determining which industries are to be regarded as "non-essential." For the most part, the responsible personnel of an insurance company consists of mature men with dependents and, due to their long years of specializing in one field, there would appear to be little need or point in transferring them to other work.

The loss, particularly in clerical help and agency representatives, has already been considerable. However, the clerical force of an insurance company usually runs predominantly to girls and women, even under ordinary conditions, and thus will be less affected than most other businesses. In the production end, furthermore, it is not so much a matter of "selling" insurance at present as of servicing the business which is automatically available. This means hard work and long hours for the field forces and home office staffs but, at least, the task is not an impossible one.

The insurance business, of course, will be indirectly concerned with rationing and shortages in some cases as individual customers are affected by these things. Therefore, the expense factor and replacement costs will be higher but, on the other hand, the very fact that such materials and property have become increasingly precious means that the owners exercise greater care in using and servicing them. As values rise, the moral hazard becomes very small indeed. This applies both to labor and equipment. For example, workers recover from injuries so much quicker under the impetus of a pay check that greatly exceeds the compensation insurance payable.

Insurance underwriters, of course, are prepared for a considerable increase in burglary and fidelity losses but the tendency of the Government and the courts to regard such acts as sabotage, punishable almost as treason, may discourage most of those who might ordinarily be tempted to take a chance.

The automobile situation is unquestionably the most important, the most difficult and the most unpredictable element with which the insurance business has to contend. Prior to this year, nearly one-third of the premium income in both the fire and casualty fields was directly or indirectly connected with automobiles. In 1942, premium income held at a high level and losses were abnormally low. Most insurance men do not think that they will be equally forunate from here on. Due to curtailed mileage, rates have already been reduced and, as a contribution to the war effort, companies have let down the bars in regard to "ride-sharing" plans. Obviously, the profit margin will be much lower on this business.

In the fire-marine field, the over-all earnings for 1942 were the poorest in many years due to the heavy ocean marine losses of last spring. This development will tend to obscure the excellent results from straight fire insurance and the improvement in the automobile underwriting. During the year ahead, the mere operation of the law of averages would appear to indicate that the fire and automobile business will be less profitable but there will be no repetition of the ocean marine losses. Therefore, the total net underwriting profit should be considerably better than in 1942.

In the casualty-surety field, no one could expect an improvement in earnings during 1943, barring miracles, because these companies have just been through the most profitable period in their history. Taxation alone should serve to place a "ceiling" on profits from this point but the normal probabilities would also appear to point to higher loss ratios in most lines. However, these companies have been fortunate in being able to get several years' good earnings "under the belt" before the full impact of war-time taxes hit them. As a result, they have greatly strengthened their financial position and, what is equally important, have refined and perfected their rate-making technique and have eliminated some of the more hazardous lines.

To summarize, it seems a fair assumption that the fire-marine business will show improvement this year as compared with 1942. It could scarcely be otherwise. Similarly, it is a fair guess that the casualty-surety business will be less profitable. This, too, could

(Continued on page 59)

DIVIDEND NOTICE

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on February 1, 1943, to stockholders of record on January 15, 1943. The transfer books will not close.

THOS. A. CLARK
December 24, 1942 TREASURER

IRVING TRUST COMPANY
NEW YORK

Statement of Condition, December 31, 1942

ASSETS

Cash on Hand, and Due from Federal Reserve Bank and Other Banks	$243,074,441.76
U. S. Government Securities	572,672,195.72
State, County and Municipal Securities	2,249,370.00
Other Securities	3,479,654.89
Stock in Federal Reserve Bank	3,088,100.00
Loans and Discounts	184,902,149.64
First Mortgages on Real Estate	8,772,186.87
Headquarters Building	17,011,200.00
Other Real Estate	1,323,126.30
Liability of Customers for Acceptances	1,053,639.15
Accrued Income, Accounts Receivable, etc.	2,645,288.67
	$1,040,271,353.00

LIABILITIES

Deposits	$925,045,614.38	
Official Checks	3,447,919.43	$928,493,533.81
Acceptances	$2,387,376.27	
Less Amount in Portfolio	873,040.58	1,514,335.69
Reserve for Taxes and Other Expenses		1,771,827.09
Dividend payable January 2, 1943		750,000.00
Other Liabilities		534,988.07
Unearned and Deferred Income		2,300,141.93
Capital Stock	$50,000,000.00	
Surplus and Undivided Profits	54,906,526.41	104,906,526.41
		$1,040,271,353.00

United States Government Securities are stated at amortized cost. Of these, $154,887,670.00 are pledged to secure deposits of public monies and for other purposes required by law.

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CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY
OF CHICAGO

Statement of Condition, December 31, 1942

RESOURCES

Cash and Due from Banks	$ 549,633,355.97
United States Government Obligations, Direct and Fully Guaranteed	1,295,006,645.31
Other Bonds and Securities	62,155,698.45
Loans and Discounts	269,693,310.51
Stock in Federal Reserve Bank	3,000,000.00
Customers' Liability on Acceptances	353,392.98
Income Accrued but Not Collected	4,334,500.64
Banking House	11,700,000.00
Real Estate Owned other than Banking House	1,582,551.32
	$2,197,459,455.18

LIABILITIES

Deposits	$2,052,097,478.20
Acceptances	353,392.98
Reserve for Taxes, Interest and Expenses	6,407,167.52
Reserve for Contingencies	17,237,486.54
Income Collected but Not Earned	380,523.58
Common Stock	50,000,000.00
Surplus	50,000,000.00
Undivided Profits	20,983,406.36
	$2,197,459,455.18

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TOTAL ASSETS
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Glyn Mills & Co.

Australia and New Zealand

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Paid-Up Capital	£8,780,000
Reserve Fund	6,150,000
Reserve Liability of Prop.	8,780,000
	£23,710,000
Aggregate Assets 30th Sept., 1941	£150,939,354

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January 1, 1943

Investment Trusts

CATCHING UP ON THE NEWS

Much space has been devoted in investment company literature during recent weeks to the prospects for 1943. The discussions are stimulating, wide in range and, we believe, generally constructive.

Under the heading, "How Long A War?" Hugh W. Long & Co.'s "New York Letter" analyzes the arguments of the two main schools of thought on this all-important subject. While adhering to the viewpoint that the war will last two years more and probably longer, this sponsor cites the recent nation-wide survey which disclosed that about one-third of our people think the war will be over within a year. The reasoning of the "short-war" group is set forth and compared with the arguments of those who believe that we still have a long way to go.

* * *

"On Looking Ahead" is the title of Abstracts in which Lord, Abbett sizes up the prospects for 1943. The bulletin is written from the viewpoint of the investor and, after discussing the broad military, political and economic trends in progress, it sums up as follows:

"Our national belt has been tightened—and will be hitched still tighter before we're through. But the effects of the change-over to a war economy can now be measured; all doubts as to the vitality of American industry have been dispelled; its critics and would-be masters stand confused.

"And over and above all hangs the irrefutable fact that wars cost money—this one more than all the other wars of history combined. Despite higher taxes and more rigid controls some additional degree of inflation is inevitable. As to "How much?" or "How soon?" we doubt that anyone really knows.

"But there is one prediction which these basic underlying trends permit us to make with some assurance — that selected equities will prove increasingly more comfortable (and more profitable) than cash during the remainder of the war and the post-war reconstruction period."

The last two issues of National Securities & Research Corp.'s "Investment Timing" have been devoted to various aspects of the new year's problems. A careful analysis of "Tax Law Prospects for 1943" forms the body of one bulletin with the outlook for each type of corporate and individual tax catalogued in a handy table. The second discussion is entitled, "1943 Outlook for Business and Securities."

A feature of this bulletin is the itemized presentation of earnings outlook for major industries. Division is made between "war," "peace" and "straddle" industries with gradings of Above Average, Average and Below Average. Five "war" industries are placed in the Above Average group, while none of the "peace" industries are given that rating.

National Securities & Research Corp. has issued to dealers a plain but instructive booklet bearing the title, "Investment Management." This booklet shows the functional arrangement of that sponsor's Economic and Investment Department and gives a brief resume of the qualifications of its executive personnel.

* * *

A recent issue of "Brevits" draws the comparison, "Pre-War versus Wartime Dividends," in the following terms:

"For the year 1939, the 30 industrial stocks which comprise the Dow-Jones Industrial-Share Average paid a total of $95.60 in dividends (on a per share basis). For the year 1942 on the same basis, these 30 industrial stocks paid a total of $97.10 in dividends. This concrete fact rather conclusively belies the idea, which has inspired such selling in recent years, that taxes and government controls would sharply curtail or eliminate corporate profits in war time.

"But because in some degree the idea has been widely held, selling has caused prices to decline with the result that while the rate of dividend payments is up slightly, stock prices as measured by the Dow-Jones Average are down from around 150-155 in December, 1939, to around 113-116 at present.

"The improvement in dividend payments indicated in the Dow-Jones Average comparison is confirmed on a broader scale by a comparison of dividend payments in the years 1939 and 1942 by Massachusetts Investors Trust (over 100 individual stocks) and by Boston Fund (some 60 individual stocks) as shown in the tabulation below:

Dividend Payments, 1939 and 1942

	1939	First 3 Quarters 1942
Massachusetts Investors Trust	53¢	61¢
Boston Fund *	42¢	48¢

* Three quarters of fiscal year beginning Feb. 1.

The latest folder by Hare's, Ltd. is entitled, "The Outlook for New York City Bank Stocks." Featured in this folder are two tabulations, one showing the number of savings banks holding shares of each of the larger American banks, and the second listing the number of trust companies and state banks, having savings departments, holding stock of the 15 representative New York City banks.

Send for Prospectus

Republic Investors Fund, Inc.

Distributing Agent
BULL, WHEATON & CO. Inc.
40 Exchange Place, New York

The
George Putnam Fund

Prospectus on Request

PUTNAM FUND DISTRIBUTORS, INC.
50 STATE STREET, BOSTON

INCORPORATED INVESTORS

Prospectus may be obtained from authorized dealers, or
The PARKER CORPORATION
ONE COURT ST., BOSTON

Buy United States War Bonds

BROOKLYN TRUST COMPANY

MAIN OFFICE:
177 Montague Street
Brooklyn, N. Y.

BROOKLYN TRUST COMPANY CHARTERED 1866

NEW YORK OFFICE:
26 Broad Street
New York, N. Y.

Summary of Statement at the Close of Business, December 31, 1942

RESOURCES

Cash on Hand and due from Federal Reserve Bank and Other Banks	$ 56,679,816.42
U. S. Government Securities	85,154,795.21
State and Municipal Bonds	6,218,771.46
Other Securities	3,732,093.94
Call Loans and Bankers Acceptances	5,202,037.54
Demand Loans Secured by Collateral	7,023,135.94
Time Loans Secured by Collateral	3,174,314.33
Bills Purchased	9,050,487.68
Loans on Bonds and Mortgages	1,488,840.67
Bank Buildings	4,515,377.16
Other Real Estate	263,263.88
Customers Liability on Acceptances	10,566.25
Other Resources	590,597.30
	$183,104,097.78

LIABILITIES

Capital	$ 8,200,000.00
Surplus	4,675,000.00
Undivided Profits	1,429,794.21
Reserves	614,057.53
Deposits	167,551,332.24
Dividend payable January 2, 1943	164,000.00
Outstanding Acceptances	18,333.25
Other Liabilities, reserve for taxes, etc.	451,580.55
	$183,104,097.78

As required by law, United States Government and State and Municipal bonds carried at $29,041,760.00 are pledged to secure public deposits and for other purposes.

One of the Oldest Trust Companies in the United States

Member Federal Reserve System and Federal Deposit Insurance Corporation

THE PUBLIC NATIONAL BANK
AND TRUST COMPANY OF NEW YORK

Main Office *37 Broad St.*

CONDENSED STATEMENT OF CONDITION

at the close of business, December 31, 1942

RESOURCES

Cash and Due from Banks	$ 58,839,785.59
U. S. Government Obligations	130,495,242.79
State, Municipal and Corporate Bonds	8,260,909.43
Loans and Discounts	63,961,035.56
Customers' Liability under Acceptances	705,800.80
Banking Houses	2,154,184.21
Other Real Estate Owned	85,143.66
Federal Reserve Bank Stock	420,000.00
Accrued Interest Receivable	317,507.77
Other Assets	126,342.25
TOTAL	$265,365,952.06

LIABILITIES

Capital	$7,000,000.00	
Surplus	7,000,000.00	
Undivided Profits	4,598,772.74	$18,598,772.74
Dividend Payable January 2, 1943		150,000.00
Unearned Discount		235,854.76
Reserved for Interest, Taxes, Contingencies		2,114,360.73
Acceptances Outstanding	$1,243,077.38	
Less: Own in Portfolio	482,365.89	760,711.49
Other Liabilities		107,334.09
Deposits		243,398,918.25
TOTAL		$265,365,952.06

Securities with a book value of $25,411,562.95 in the above statement are pledged to secure public and trust deposits (including U. S. War Loan deposits of $22,457,672.34) and for other purposes required or permitted by law.

MEMBER: N. Y. CLEARING HOUSE ASSOCIATION • FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION

29 Offices Located Throughout Greater New York

Municipal News & Notes

A proposal that Congress require Federal Reserve Banks to take over some of the "obligations of States and local subdivisions now confronted with decreased revenues" was made Jan. 3 by Chairman Patman (Dem., Texas) of the special House Committee on Small Business. Mr. Patman was quoted in Washington press reports as saying that States owed approximately $3,500,000,000 in outstanding obligations; counties, $2,600,000,000; cities, $10,000,000,000; school districts, $2,000,000,000, and other civil divisions, $2,000,000,000.

Mr. Patman said he was preparing for introduction soon a measure which would require Federal Reserve Banks to accept those obligations that became delinquent and pay for them at par and accrued interest, or at the fair market price or at some date prior to Pearl Harbor, whichever is the lowest.

Federal Reserve banks, according to report, would be required to hold these obligations until the war is over and for at least a definite period thereafter. The interest charge could not be in excess of one-eighth of 1% a year.

In a statement, he said that he was considering also a move to release revenue raised through the Federal gasoline tax to States and political subdivisions.

"Most political subdivisions have been affected by the war because of their reliance upon sales taxes and local gasoline taxes," he commented.

Patman estimated that 31% of the revenues of a State comes from sales taxes on motor fuel and general sales and another 15% from business and motor vehicle permits and licenses, both of which are seriously threatened by wartime conditions.

North Bergen, N. J., Has Surplus After Paying All Charges

A booklet containing pertinent facts concerning the progress of the Township of North Bergen, N. J., since its bonded indebtedness was refunded on May 15, 1941, has been prepared by Campbell, Phelps & Co., Inc., New York City.

"The present administration of the Township of North Bergen," says the booklet, "is imbued with the idea of conducting the affairs of the township along business lines; that is, it proposes to put into actual practice the most modern and efficient methods of procedure for running the municipal government that could possibly apply to any modern business.

"With this idea in view and after four years of preparation, the Township Commission proceeded to straighten out its financial entanglements by refunding its bonded indebtedness as of May 15, 1941. Serial bonds in the amount of $14,988,000 were issued, bearing interest at the rate of 3¾% per annum. These bonds matured from 1942 to 1967, inclusive, the last seven maturities (from 1961 to 1967, inclusive) amounting to $5,534,000, being made callable. The approving opinion of Hawkins, Delafield & Longfellow, New York bond attorneys, accompanies the bonds.

"The township is operating under the cash basis provision of the Budget Act, holds all inclusive tax sales annually, and is continuing its policy of foreclosing promptly on delinquent properties. As evidence of its business policy of conducting the affairs of the municipality properly, the Commission will close the year 1942 with all bills paid; all principal and interest on its bonded debt paid; all State and county taxes paid; and, in addition, will have a sizable cash surplus to carry over into the next year."

Offering of $516,000 Township 3¾% refunding bonds (non-callable) dated May 15, 1941, is being made by a banking group composed of Campbell, Phelps & Co., Inc.; Bioren & Co.; Paine, Webber, Jackson & Curtis; Fox, Reusch & Co.; Weil, Roth & Irving Co.; Suplee, Yeatman & Co.; McDougal & Condon, Inc., and Commerce Union Bank, Nashville. The bonds mature Dec. 1, 1950 to 1956, inclusive, and are priced to yield from 3.20% to 3.50%, according to maturity.

Interest exempt from all present Federal Income Taxes
Tax exempt in the State of New Jersey

$516,000

Township of North Bergen, N. J.

3¾% Refunding Bonds

(Non-callable)

Dated May 15, 1941 **Due December 1st as shown below**

Principal and semi-annual interest (June 1 and December 1) payable at the Bank of the Manhattan Company, New York, N. Y. Coupon bonds in the denomination of $1,000; registerable as to principal only or as to both principal and interest.

Legal investments, in our opinion, for Trust Funds in New Jersey

FINANCIAL STATEMENT
(As Officially Reported)

Assessed Valuations 1942	
Real Property	$43,965,250
Second Class RR	759,065
Personal Property	3,288,575
	$48,012,890
Total Bonded Debt (December 2, 1942)	$14,842,500

Population 1940 Census......39,714

The Township has no separate School District, all school bonds being included in the above debt. This statement does not include the debts of either County or State which have the power to levy taxes upon property within the Township.

Legality approved by Messrs. Hawkins, Delafield & Longfellow, New York, N. Y.

Amounts	Maturities	Yields
$ 16,000	1950	3.20%
50,000	1951	3.30
175,000	1954	3.50
175,000	1955	3.50
100,000	1956	3.50

Descriptive booklet and circular available upon request from any of the undersigned

Campbell, Phelps & Co., Inc.

Bioren & Co.
Philadelphia

Paine, Webber, Jackson & Curtis

Fox, Reusch & Co.
Cincinnati

The Weil, Roth & Irving Co.
Cincinnati

Suplee, Yeatman & Company, Inc.
Philadelphia

McDougal & Condon, Inc.
Chicago

Commerce Union Bank
Nashville

January 4, 1943

MANUFACTURERS
TRUST COMPANY

Condensed Statement of Condition as at close of business
December 31, 1942

RESOURCES

Cash and Due from Banks		$370,862,493.14
U. S. Government Securities		635,564,409.52
U. S. Government Insured F. H. A. Mortgages		9,833,484.18
State and Municipal Bonds		28,412,428.85
Stock of Federal Reserve Bank		2,237,950.00
Other Securities		36,832,564.52
Loans, Bills Purchased and Bankers' Acceptances		300,378,843.43
Mortgages		14,753,993.72
Banking Houses		12,529,572.25
Other Real Estate Equities		2,336,137.10
Customers' Liability for Acceptances		2,814,883.72
Accrued Interest and Other Resources		2,938,713.08
		$1,419,495,473.51

LIABILITIES

Preferred Stock	$ 8,599,540.00	
Common Stock	32,998,440.00	
Surplus and Undivided Profits	44,898,301.51	86,496,281.51
Reserves		6,311,490.51
Common Stock Dividend (Payable January 2, 1943)		824,959.50
Preferred Stock Dividend (Payable January 15, 1943)		214,988.50
Outstanding Acceptances		3,037,065.85
Liability as Endorser on Acceptances and Foreign Bills		189,880.98
Deposits		1,322,420,806.66
		$1,419,495,473.51

DIRECTORS

EDWIN M. ALLEN
President, Mathieson Alkali Works, Inc.

EDWIN J. BEINECKE
Chairman, The Sperry & Hutchinson Co.

EDGAR S. BLOOM
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Vice-President

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Chairman, Lincoln Savings Bank

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President, Lambert Company

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Simpson Thacher & Bartlett

CHARLES L. JONES
The Charles L. Jones Company

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President, Cluett, Peabody & Co., Inc.

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President, Scranton & Lehigh Coal Co.

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Chairman, General Bronze Corporation

HAROLD V. SMITH
President, Home Insurance Co.

ERNEST STAUFFEN
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President, Curtiss-Wright Corporation

HENRY C. VON ELM
Vice-Chairman of the Board

ALBERT N. WILLIAMS
President, Western Union Telegraph Company

Principal Office: 55 Broad Street, New York City
68 BANKING OFFICES IN GREATER NEW YORK
European Representative Office: 1, Cornhill, London, E. C. 3

Member Federal Reserve System
Member New York Clearing House Association
Member Federal Deposit Insurance Corporation

Both Common and Preferred shares have a par value of $20 each. The Preferred is convertible into and has a preference over the Common to the extent of $50 per share and accrued dividends.

Tennessee Has $7,700,000 Debt Retirement Cushion

The Funding Board of the State of Tennessee, for the 11th consecutive month, has deposited in the State's sinking fund $700,000 per month more than the deposit required under the Debt Retirement Act, making a total "cushion" accumulation of $7,700,000 against possible shrinkages in the State gasoline tax and bridge tolls (the two revenues which bear most of the burden of nurturing Tennessee debt retirement program) under rationing of gasoline, according to a statement released at Nashville on Dec. 30 by Tennessee Taxpayers Association, 10-year-old fact-finding and recommendatory agency maintained by the citizenship of this State.

The Tennessee Taxpayers Association, quoting State authorities in the Tennessee Department of Finance and Taxation, adds that there is every indication that the Funding Board will make the $700,000 cushion deposit at the end of December, collections of gasoline tax and bridge tolls on Dec. 22 already assuring collections sufficient to permit the usual excess deposit.

Tennessee, while not included in the 17 States on or near the Eastern Seaboard in which gasoline has been rationed since July, nevertheless has had widespread voluntary rationing of gasoline, gasoline tax collections for the five months ended on Nov. 30 showing a decline of 11.2% below collections for the same five months in 1941. Yet the provident action of the State Funding Board now puts Tennessee in a position where it can see gasoline tax and bridge toll collections decline to 42% of last year's yield before any notable use would have to be made of the other State revenues pledged to debt retirement.

North Carolina May Invest In Own Bonds

The State of North Carolina plans to invest $20,000,000 of the expected general fund surplus of approximately $30,000,000 for fiscal year ending June 30, 1943, in its own bonds and United States Government obligations, according to a statement made Dec. 30 by State Treasurer Charles M. Johnson. Recommendation that such portion of the surplus be transformed into a post-war reserve fund has been urged by Mr. Johnson and Governor Broughton. The subject is scheduled to be considered by the General Assembly which is now in session.

The State, according to Mr. Johnson, is in the best financial condition of its history and is operating on a strictly cash basis. The gross bonded debt was reduced during the past year from $138,161,500 to $130,311,500. Sinking fund holdings increased from $19,362,281 to $20,472,499, the net State debt as of Dec. 31, 1942, of $109,839,000, reflecting a decline of $8,960,217.

"After the war is over, if not before," the Treasurer noted, "we may expect an economic and social problem of nation-wide scope—and we should begin now to meet this crisis when it comes." "By setitng up the contemplated post-war reserve fund," he added, "we will be able to carry on the normal functions of government, even though our revenues may sharply decline."

The State Treasurer also declared that he has recommended that legislation be enacted allowing local government units in the State to set up post-war reserves cushions by investing their year-end surpluses either in their own bonds or Federal instruments. They are required under existing laws to use surpluses for the reduction of taxes in the ensuing year. Although acknowledging that such procedure is good business in normal times, the Treasurer pointed out that at present practically all of the local units have much greater surpluses than they normally have and, for that reason, he has recommended that the law governing the use of these surpluses be amended.

Unless this is done, he said, local taxes will be reduced materially in most cases next year, but will certainly have to be raised the following year and further increased when war-induced restrictions on local capital expenditures are eliminated and at a time when the taxpayers will be less able to pay. Existing surpluses, he noted, resulted from the ability of local units to effect greater collections of delinquent taxes than at any time in the past few years and through curtailment of capital expenditures because of material shortages, although provision for such outlays had been made in budgets.

As regards the trend of local government indebtedness, the State Treasurer pointed out that this figure has shown continuous reduction and said that the total of local bonded debt on June 30, 1932, was $362,000,000. Despite the creation of $39,000,000 of new debt in the past 10 years, the aggregate amount outstanding on June 30, 1942, was $290,000,000, a net reduction in the decade of $72,000,000. On June 30, 1940, the total was $306,000,000, reflecting a net reduction in the last biennium of $16,000,000.

Ogle County, Ill., Reports Nearly 100% Tax Collections

The Treasurer of Ogle County, Ill., collected 99.4% of the county's 1942 real estate and personal property tax bill. This was described by the Municipal Finance Officers Association as a record "as nearly perfect as anyone is likely to get." All but $1,726 of a total tax bill of $1,094,527 was collected by Dec. 5, the end of the county's fiscal year. All that remains uncollected for the fiscal year is $55 in taxes on land, $396 on lots and $1,275 on personal property. The Treasurer used all legal means to force collections and in some instances had to "get tough" with many tax delinquents to set the record.

Major Sales Scheduled

January 16

$983,000 Orleans Levee District, La.

Proposed sale in December, 1941, was canceled because of poor market conditions. Previously, an award was made to R. W. Pressprich & Co., New York.

January 19

$500,000 Nashville, Tenn.

Previous award to Lazard Freres & Co. and associates, with Harriman Ripley account making the second high bid.

January 26

$7,900,000 Seattle, Wash.

John Nuveen & Co., account awarded previous loan, with Blair & Co., Inc., syndicate making next best bid.

February 1

$4,100,000 Maricopa Co., Ariz.

Bids for these bonds will be received by the State Treasurer in behalf of the county.

CHARTERED 1853

United States Trust Company of New York

Statement of Condition December 31, 1942

OFFICERS

WILLIAMSON PELL
President

BENJAMIN STRONG
First Vice-President

THOMAS H. WILSON
Vice-President and Secretary

ALTON S. KEELER
Vice-President

JAMES M. TRENARY
Vice-President

Assistant Vice-Presidents

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HENRY E. SCHAPER
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FREDERICK M. E. PUELLE
PAUL CAMPBELL, JR.
BERKELEY D. JOHNSON
LAWRENCE C. MARSHALL
ARMITAGE MORRISON

RESOURCES

Cash in Banks	$ 30,967,708.86
Loans and Bills Purchased	20,566,460.88
United States Government Obligations	70,758,425.17
State and Municipal Obligations	8,206,450.17
Other Bonds	2,805,500.00
Federal Reserve Bank Stock	840,000.00
Real Estate Mortgages	4,698,920.08
Real Estate	1,750,000.00
Accrued Interest Receivable	368,444.45
Total	$140,961,909.61

LIABILITIES

Capital Stock	$ 2,000,000.00
Surplus	26,000,000.00
Undivided Profits	2,095,560.82
General Reserve	742,506.38
Deposits	108,662,286.17
Reserved for Taxes, Interest, Expenses, etc.	959,109.02
Unearned Discount	2,447.22
Dividend Payable January 2, 1943	500,000.00
Total	$140,961,909.61

$20,855,000 par value of United States Government and other securities are pledged to secure public deposits and for other purposes required by law.

TRUSTEES

WILLIAMSON PELL, President

JOHN J. PHELPS
JOHN SLOANE
FRANK L. POLK
JOHN P. WILSON

BARKLIE HENRY
GEORGE DE FOREST LORD
ROLAND L. REDMOND
HAMILTON HADLEY
FRANCIS T. P. PLIMPTON

BENJAMIN STRONG
JOHN HAY WHITNEY
G. FORREST BUTTERWORTH
JAMES H. BREWSTER, JR.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Walter Marvin With Whitney, Goadby Co.

H. N. Whitney, Goadby & Co., 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, announce that Walter S. Marvin has become associated with the firm. Mr. Marvin was a former partner in the firm of Foster, Marvin & Co.

T. J. Knapp Partner In Montgomery Scott

Montgomery, Scott & Co. announce that Theodore J. Knapp, a member of the New York Stock Exchange, has been admitted to general partnership in their firm, as of Jan. 2, 1943.

Stritmater Pres. Of Dodge Securities Cp.

CLEVELAND, OHIO—J. M. Stritmater and R. S. Sheldon were elected President and Vice-President, respectively, of Dodge Securities Corporation, Terminal Tower.

HOW DID WE GET THIS WAY?

(Continued from first page)

When wasteful spending is disguised as a humanitarian program, hypocrisy is at its zenith. Idealists cannot use the mundane weapons of ward politicians without assuming their limp morality.

The campaign policy—"spend and spend and spend; and elect and elect and elect," and the renaissance of an older slogan, "unto the victors belongs the spoils," are possible only to those whose moral sense has been stunted and whose ego is so great that they believe that only with their guidance can mankind survive. They indicate a continuous attrition of ethical values.

These people, who simper like dandies in the distortioned mirror of their self-esteem, have illusions of personal omnipotence resulting from the hypertropy of self and which, developing into megalomania, gives them infinite confidence in their ability to unravel involved complexities without realizing the temerity of their undertaking. There is no arithmetic for measuring vanity; no moral brakes on self-aggrandizement.

Campaign oratory is the requiem of democracy. It is the most poisonous form of gas. Repudiated pledges and platforms are inimical to a republic. Apostates to truth, ignorant of their limitations, make a mockery of government. A mobocrat is not even as useful as an economic royalist.

As long as a nation does not lose faith in itself, and maintains its integrity by insisting upon the integrity of its servants—and no man in government is any more than a servant—it can remodel its institutions without danger. When it gives way to arid sentimentalism, hypocrisy, banalities, radicalism and mysticism; makes a fetish out of words and a symphony out of economic gibberish; accepts theories which cannot prove themselves in terms of reason or becomes infatuated with alien idealogies, suitable, perhaps, for other cultures, it retrogrades into an era of insecurity and decay and can only with great difficulty extricate itself from the morass of intrigue which is the concomitant of excessive political power.

The paradox of want amidst plenty is a phenomenon which continually baffles self-anointed reformers, who always neglect the essential preliminary of reforming themselves. They are invariably high priests of the worship of the voice with blatant neophytes who accept verbosity, a form of intellectual disguise, for wisdom. The logical explanation is beyond their understanding; they mistake the anomaly for the rule. They take coincidences as causes and build doctrines upon false inferences; doctrines which cannot be true, for they are absolute in their scope, while human affairs are conditional and relative; doctrines whose authenticity they endeavor to demonstrate by garrulity. They construct parties upon class interests; confuse dogmas with principles and attempt to baffle inquiry with the legerdemain of their peculiar idioms and their verbal hieroglyphics. They reason, if reasoning is possible to men who are intellectually incoherent and who think not by perceptions but by acoustics, as follows:

1. Capitalism has increased the total wealth or the facilities for producing goods.
2. Misery exists in the midst of plenty.
3. The system which produces the plenty is, therefore, responsible for the misery.
4. It must be destroyed so that misery can be eliminated.

What they are unable to understand is:

1. Capitalism has made it possible for more men to live; to live longer and to live better, although all men have not contributed equally to the

CORN EXCHANGE BANK TRUST COMPANY

ESTABLISHED 1853

A Bank Statement that any Man or Woman can Understand

Condensed Statement as of close of business December 31, 1942

Our Deposits and Other Liabilities are	$532,798,687.30
To meet this indebtedness we have:	
Cash in Vaults and Due from Banks	$152,476,572.38
U. S. Government Securities ($82,586,219.84 pledged to secure deposits and for other purposes as required by law.)	324,312,363.32
Other Securities	25,486,298.46
Loans and Discounts	37,035,466.95
First Mortgages	14,959,216.83
Customers' Liability on Acceptances	490,042.78
Banking Houses	11,473,599.63
Other Real Estate	1,117,401.88
Accrued Interest Receivable	1,255,081.99
Other Assets	329,173.08
Total to Meet Indebtedness	$568,935,217.30
This Leaves	$ 36,136,530.00

Capital, $15,000,000.00; Surplus and Undivided Profits, $21,136,530.00

BOARD OF DIRECTORS

ROBERT A. DRYSDALE
Drysdale & Company

DUNHAM B. SHERER
Chairman

C. WALTER NICHOLS
Chairman, Nichols Engineering & Research Corporation

GEORGE DOUBLEDAY
Chairman, Ingersoll-Rand Company

ETHELBERT IDE LOW
Chairman, Home Life Insurance Company

HENRY A. PATTEN
Vice President

RALPH PETERS, JR.
President

JOHN H. PHIPPS

DAVID G. WAKEMAN
Vice President, United States Fire Insurance Company

ERNEST M. BULL
President, A. H. Bull & Co., Inc.

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Vice President, W. R. Grace & Company

HERBERT J. STURSBERG
Treasurer, Livingston Worsted Mills, Inc.

JOHN R. McWILLIAM
First Vice President

Member Federal Deposit Insurance Corporation.

The Corn Exchange Safe Deposit Company operates vaults in 56 of the 74 branches conveniently located throughout the City of New York.

United States War Savings Bonds and Stamps are on sale at all offices.

CHEMICAL BANK & TRUST COMPANY

Founded 1824
165 Broadway, New York

CONDENSED STATEMENT OF CONDITION

At the close of business, December 31, 1942

ASSETS

Cash and Due from Banks	$348,841,630.60
U. S. Government Obligations, Direct and Fully Guaranteed	536,810,141.33
Bankers' Acceptances and Call Loans	54,397,121.36
State and Municipal Bonds	67,844,004.88
Other Bonds and Investments	106,997,301.66
Loans and Discounts	162,982,846.20
Banking Houses	479,793.50
Other Real Estate	4,774,305.20
Mortgages	1,374,569.67
Credits Granted on Acceptances	2,252,611.80
Other Assets	3,229,536.82
	$1,289,983,863.02

LIABILITIES

Capital Stock	$20,000,000.00	
Surplus	55,000,000.00	
Undivided Profits	5,456,273.27	$80,456,273.27
Dividend Payable Jan. 2, 1943		900,000.00
Reserves, Taxes, Interest, etc.		5,891,537.66
Acceptances Outstanding	$4,886,471.71	
(less own acceptances held in portfolio)	1,961,302.02	2,925,169.69
Other Liabilities		380,478.04
Deposits *(including Official and Certified Checks Outstanding $18,711,049.67)*		1,199,430,404.36
		$1,289,983,863.02

U. S. Government Obligations and other securities carried at $315,963,984.64 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

Charter Member New York Clearing House Association
Member Federal Reserve System
Member Federal Deposit Insurance Corporation

process. It alone is capable of producing an integrated economy by which to metabolize the social body.

2. The percentage of superior or talented men has not increased in proportion to the increase in population. The mediocre tend to reproduce themselves in proportion to their mediocrity, hence the derivation of the word "proleteriat" from the Latin.
3. In an industrial economy where the rewards of energy, enterprise, judgment and sagacity are the greatest, the penalties for folly, weakness, error and vice are the most severe.
4. The living phenomena of society must be interpreted in relation to facts. Matters of fact must take dominance over matters of feeling. Competition is a condition of existence. It is a method by which human values are elutriated.
5. Misery is largely the result of human ignorance. Most other reasons are myths which men invent to console themselves for failure.
6. Ignorance is a relative term, definable only in relation to total knowledge. Individual knowledge has not increased in proportion to total knowledge. Most men are afflicted with chronic mental anorexia. Literacy is not a test of intelligence nor loquacity a measure of wisdom. The imitative is a universal human attribute.
7. The ability to absorb knowledge has not increased in proportion to its totality or the facilities for its distribution. Intellectual development is not coextensive with life.
8. Economic conditions can, to a certain extent, be affected by social conditions, but in the long run social conditions are the result of economic and biological imperatives which are seldom fashioned in the image of man's hopes.
9. Social phenomena present themselves in complicated combinations. They are generally far removed from their causes. For this reason the diagnosis of social ills is far more difficult and onerous than is realized. A superficial view of any human event suggests causes which are not fundamental.
10. The ultimate solution, if there is one, of the problem of the "more abundant life" is primarily one for the biologist; secondarily for the economist and sociologist and utterly beyond the capacity of the politician, the welfare worker, and the social engineer, of whom it is always wise to suspect hyperbole in the recital of their qualifications.

Bank & Insurance Stocks

(Continued from page 54)

scarcely be otherwise. Despite these trends, profit margins in the latter field should continue to be higher than in the former. As to the investment situation, the fire companies run more to common stocks as a general rule while the casualty companies, due to the nature of their business, are obliged to adhere to a more conservative investment policy.

In any event, the outlook for the insurance business is by no means discouraging and may actually be bright, at least in comparison with those industries which will be severely curtailed or forced to suspend operations during the more concentrated phases of the war effort.

THE CHASE
NATIONAL BANK
OF THE CITY OF NEW YORK

Statement of Condition, December 31, 1942

RESOURCES

CASH AND DUE FROM BANKS		$1,132,552,794.75
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED		2,327,747,894.50
STATE AND MUNICIPAL SECURITIES		87,659,461.60
STOCK OF FEDERAL RESERVE BANK		6,016,200.00
OTHER SECURITIES		164,153,071.12
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES		786,056,843.05
BANKING HOUSES		36,712,172.54
OTHER REAL ESTATE		6,300,887.68
MORTGAGES		7,721,123.52
CUSTOMERS' ACCEPTANCE LIABILITY		3,775,268.58
OTHER ASSETS		10,800,333.43
		$4,569,496,050.77

LIABILITIES

CAPITAL FUNDS:		
CAPITAL STOCK	$100,270,000.00	
SURPLUS	100,270,000.00	
UNDIVIDED PROFITS	45,049,412.80	
		$ 245,589,412.80
DIVIDEND PAYABLE FEBRUARY 1, 1943		5,180,000.00
RESERVE FOR CONTINGENCIES		11,810,380.27
RESERVE FOR TAXES, INTEREST, ETC.		3,681,901.24
DEPOSITS		4,291,466,886.03
ACCEPTANCES OUTSTANDING	$7,107,370.38	
LESS AMOUNT IN PORTFOLIO	2,989,534.46	4,117,835.92
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS		340,860.29
OTHER LIABILITIES		7,308,774.22
		$4,569,496,050.77

United States Government and other securities carried at $1,020,672,767.50 are pledged to secure U. S. Government War Loan Deposits of $848,123,236.90 and other public funds and trust deposits, and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

THE
NEW YORK TRUST
COMPANY
100 BROADWAY
MADISON AVENUE AND 40TH STREET TEN ROCKEFELLER PLAZA

CONDENSED STATEMENT OF CONDITION
At the close of business, December 31, 1942

ASSETS

Cash on Hand and in Federal Reserve Bank		$134,838,208.39
Exchanges, Collections and Other Cash Items		37,309,868.51
United States Government Obligations — Direct and Guaranteed		326,995,936.70
Other Bonds and Securities		25,117,731.19
Loans and Discounts		140,601,228.92
Interest Receivable, Accounts Receivable and Other Assets		1,699,583.21
Customers' Liability for Acceptances		92,110.06
Real Estate Bonds and Mortgages		3,431,213.93
Equities in Real Estate		1,059,005.32
Banking Premises—Equity		2,024,598.09
		$673,169,484.32

LIABILITIES

Deposits	$614,499,284.81	
Outstanding and Certified Checks	14,278,016.16	$628,777,300.97
Dividend Payable January 2, 1943		437,500.00
Accounts Payable, Reserve for Taxes and Other Liabilities		1,804,420.50
Acceptances		117,828.91
Capital	12,500,000.00	
Surplus	25,000,000.00	
Undivided Profits	4,532,433.94	42,032,433.94
		$673,169,484.32

United States Government obligations and other securities carried at $108,018,866.82 in the above statement are pledged to secure United States Government deposits of $99,619,588.43 and other public and trust deposits and for other purposes required by law.

TRUSTEES

MALCOLM P. ALDRICH
New York
ARTHUR A. BALLANTINE
Root, Clark, Buckner & Ballantine
JOHN E. BIERWIRTH
President
JAMES C. COLGATE
Bennington, Vt.
ALFRED A. COOK
Cook, Nathan, Lehman & Greenman
WILLIAM F. CUTLER
Vice-President
American Brake Shoe & Fdy. Co.
FRANCIS B. DAVIS, JR.
Chairman of the Board
United States Rubber Company
F. TRUBEE DAVISON
President, American Museum of Natural History
RUSSELL H. DUNHAM
Chairman of the Board
Hercules Powder Company
SAMUEL H. FISHER
Litchfield, Conn.
WILLIAM HALE HARKNESS
New York
B. BREWSTER JENNINGS
Socony-Vacuum Oil Co., Inc.
HOWARD W. MAXWELL
New York
HARRY T. PETERS
New York
SETON PORTER
President, National Distillers Products Corporation
DEAN SAGE
Sage, Gray, Todd & Sims
MORRIS SAYRE
Executive Vice-President
Corn Products Refining Co.
VANDERBILT WEBB
New York
MEDLEY G. B. WHELPLEY
Guggenheim Bros.

Member of the Federal Deposit Insurance Corporation

Pulis, Dowling Co., Curb Members, Formed

C. D. Pulis, R. E. Dowling, V. Alexander, R. E. Ewart, and L. C. Pulis announce the formation of Pulis, Dowling & Co., Members New York Curb Exchange. The firm will maintain offices at 25 Broad Street, New York City. Messrs. C. D. Pulis, Dowling and Alexander are general partners, while Messrs. Ewart and L. C. Pulis are limited partners.

Henry R. Schmitt, for many years with J. F. Reilly & Co., is now associated with Pulis, Dowling & Co. in charge of their trading department, and Stanley S. Moon, formerly with the Prudence Bonds Corporation and more recently with Sulzbacher, Granger & Co., has become associated with the firm as retail sales manager.

Laser Admits Hancock

SHELBY, OHIO — W. S. Hancock has been admitted to partnership with C. J. Laser, 53 West Main Street, and the firm is now doing business under the name of Laser and Hancock. Mr. Hancock has been associated with Mr. Laser for some time.

Ferris & Company Is Formed In Dallas

DALLAS, TEX.—John D. Ferris has formed Ferris & Company with offices in the First National Bank Building to act as dealers in stocks, bonds and oil royalties. Mr. Ferris was formerly manager of the corporate trading department of Garrett and Company, Inc.

Robbie Opens Firm In NY

Herman H. Robbie has formed the Financial Securities Trading Company with offices at 165 Broadway, New York City, to specialize in securities of finance companies and small loan securities. Mr. Robbie was formerly a partner in the dissolved firm of John J. Richardson & Co.

Chgo. Exchange Approves Application Of Jos. Hirsch

CHICAGO, ILL.—The Executive Committee of The Chicago Stock Exchange has approved the membership application of Joseph W. Hirsch, of Kebbon, McCormick & Co.

Three Chicago Men Become Blyth V.-Ps.

CHICAGO, ILL.—Alfred S. Wiltberger, Hiram H. Belding, Jr., and Robert B. McDowell, for many years associated with the Chicago office of Blyth & Co., Inc., 135 South La Salle Street, have been elected vice-presidents of the firm. Mr. Wiltberger, who has been in charge of the Syndicate Department in Chicago, was recently appointed resident manager.

Walter Scott Joins Lord, Abbett & Co.

Lord, Abbett & Co., Inc., 63 Wall Street, New York City, announce that Walter R. Scott, formerly with Hayden, Stone & Co., has become associated with them as Eastern wholesale representative.

Sellman Boston Manager For Spencer Trask & Co.

BOSTON, MASS. — Spencer Trask & Co., members of the New York and Boston Stock Exchanges, have announced the appointment of Frank H. Sellman as resident manager of their office, 50 Congress Street. Mr. Sellman has been acting manager and has been a member of the sales staff since 1924.

FOUNDED 1812

THE PENNSYLVANIA COMPANY

FOR INSURANCES ON LIVES AND GRANTING ANNUITIES

Philadelphia

STATEMENT AS OF DECEMBER 31, 1942

DIRECTORS

C. S. Newhall
Chairman of the Board

Leonard T. Beale
President, Pennsylvania Salt Manufacturing Co.

Charles G. Berwind
Vice-President, Berwind-White Coal Mining Co.

Alexander J. Cassatt
Vice-President, Western Saving Fund Society

W. J. Jenks
President, Norfolk & Western Railway Co.

Ralph Kelly
Exec. Vice-Pres., The Baldwin Locomotive Works

L. H. Kinnard
Director, The Bell Telephone Co. of Penna.

Wm. Fulton Kurtz
President

Arthur V. Morton
Vice-President

John H. Packard, 3rd
Fairmount Park Commission

Walter A. Rigg
President, United Power & Transportation Co.

Isaac W. Roberts
President, Philadelphia Saving Fund Society

Norman F. S. Russell
President, United States Pipe and Foundry Co.

Edward W. Scheer
President, Reading Company

Charles R. Shipley
President, John Wanamaker, Phila. & New York

James M. Skinner

Philip C. Staples
President, The Bell Telephone Co. of Penna.

RESOURCES	
Cash and Due from Banks	$135,899,113.60
U. S. Government Securities	138,140,870.06
State, County & Municipal Securities	6,367,603.39
Other Investment Securities	18,898,137.22
Commercial and Collateral Loans	93,162,411.64
First Mortgages Owned	2,113,203.57
Interest Accrued	641,687.08
Bank Buildings and Equipment	2,018,881.52
Other Real Estate	2,187,738.42
Customers' Acceptance Liability	110,342.50
Miscellaneous Assets	1,712,077.91
	$401,252,069.91

LIABILITIES	
Capital Stock	$10,000,000.00
Surplus	14,700,000.00
Undivided Profits	2,367,844.39
Reserved for Contingencies	2,053,490.49
Reserved for Taxes and Expenses	357,584.95
Dividend Payable Jan. 2, 1943	400,000.00
Unearned Interest	637,113.91
Letters of Credit and Acceptances	110,342.50
Miscellaneous Liabilities	11,947.73
Deposits	370,613,745.91
	$401,252,069.91

United States Government obligations and other securities carried at $60,919,190.41 in the above statement are pledged to secure Trust Funds and Government, State and Municipal Deposits, as required by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION • MEMBER FEDERAL RESERVE SYSTEM

125th ANNIVERSARY
1818 · 1943

1818 — 1943

One hundred and twenty-five years ago, when our business was established, we served the banking needs of many of the prominent merchants and corporations responsible for the early growth and economic development of our country.

Today, with direct descendants of the founders among the partners of the firm, our clients continue to include many of America's outstanding business enterprises. With a broad background gained from long and varied experience, we offer complete banking facilities to individuals, firms and corporations.

BROWN BROTHERS HARRIMAN & CO.

PRIVATE BANKERS

NEW YORK BOSTON PHILADELPHIA

Statement of Condition, December 31, 1942

ASSETS		
Cash on Hand and Due from Banks		$ 37,455,406.38
United States Government Securities *Valued at Cost or Market whichever lower*		67,329,280.79
Call Loans and Acceptances of Other Banks		7,325,622.58
Securities Called or Maturing Within 1 Year *Valued at Cost or Market whichever lower*		7,038,075.36
Loans and Advances		25,874,628.73
Marketable Bonds and Stocks *Valued at Cost or Market whichever lower*		13,078,217.98
Customers' Liability on Acceptances		5,224,527.82
Other Assets		416,588.62
		$163,742,348.26

LIABILITIES		
Deposits—Demand	$140,509,459.58	
Deposits—Time	3,177,118.62	$143,686,578.20
Acceptances	$ 5,861,532.84	
Less Own Acceptances Held in Portfolio	795,471.58	5,066,061.26
Accrued Interest, Expenses, etc.		75,273.81
Reserve for Contingencies		1,469,151.45
Capital	$ 2,000,000.00	
Surplus	11,445,283.54	13,445,283.54
		$163,742,348.26

There are Pledged to Secure Public Monies U. S. Government Securities Par Value $900,000.

PARTNERS

Moreau D. Brown
Thatcher M. Brown
Prescott S. Bush
Louis Curtis
E. R. Harriman
W. A. Harriman
Ray Morris
Knight Woolley

FACILITIES

Complete Facilities for Domestic and Foreign Banking

Deposit Accounts · Loans · Acceptances
Commercial Letters of Credit

Brokers for Purchase and Sale of Securities

Investment Advisory Service

H. D. Pennington, *General Manager*

Managers

Edward Abrams
Charles F. Breed
Alister C. Colquhoun
*H. Pelham Curtis
*Charles W. Eliason, Jr.
Stephen Y. Hord
Howard P. Maeder
Thomas McCance
Ernest E. Nelson
*Donald K. Walker
*John C. West

Assistant Managers

David G. Ackerman
Merritt T. Cooke
William A. Hess
Joseph R. Kenny
Joseph C. Lucey
Thomas J. McElrath
Edwin K. Merrill
Herbert Muhlert
Arthur K. Paddock
Arthur R. Rowe
L. Parks Shipley
*Eugene W. Stetson, Jr.
Bentley W. Warren, Jr.
Gale Willard
Harry L. Wills

George E. Paul, *Comptroller* Arthur B. Smith, *Auditor*

**Now in Government Service.*

Licensed as Private Bankers and subject to examination and regulation by the Superintendent of Banks of the State of New York and by the Department of Banking of the Commonwealth of Pennsylvania. Subject to supervision and examination by the Commissioner of Banks of the Commonwealth of Massachusetts.

The Securities Salesman's Corner

ORGANIZATION, SOUND PLANNING; THE FOUNDATION FOR SUCCESS IN 1943

On all sides of us today, everyone is talking about planning. Planning for a better world, for winning the war, for creating jobs, and even for "Utopia." The opinion of this column is that fortunately in most instances the planning thus talked of consists of nothing much more than **talk** and that's about as far as it will go.

There is another kind of planning, however, that every sales organization and salesman can get his "teeth into." That kind of planning deals with conducting our own business in an orderly, constructive manner. It means, having a plan to do business. Not only to do business, but to fit constructive **"sales ideas"** into present conditions, so that the maximum rewards for our efforts can be attained.

If we were laying the plans for the year ahead for a sales organization in the securities business, here are a few things we would do—right off!

Call each salesman in to our desk and ask him point blank if he feels like putting all his time and effort into his job for the coming year. Ask him if he felt satisfied with the business and if he was willing to lay aside every other task but his job (in business hours) for the coming year. Men who were dissatisfied, part time desk warmers, chronic grumblers and those who were indifferent toward the securities business we'd politely advise to get a defense job. The country needs man power, it shouldn't be wasted. We'd rather have two good producers, even one, in our organization in 1943 than two dozen so-and-sos.

Next, we would plan our advertising and sales efforts to "get at our market." We'd base these plans on a survey of our market. If we were a municipal house, a firm specializing in rails, utilities or what have you, we'd check every available source of leads that looked promising **and then work out some sales ideas that would lift us out of the crowd.** A new approach to old problems, a new twist to answer investors' problems, a new service to help get business, a follow up plan to check leads and see that our sales force got the best 100% backing that we could give them—these and all the other creative, workable, hard hitting, sensible, sales plans that we could devise, we would set up as a **work table** for 1943.

Then we would turn the good old fashioned "power of work" upon these plans and by the best method of all, the application of will power, determination, and the proper use of constructive energy, we would **go to work.** We would work at selling securities, for a profit to our self and as a benefit to our country, as well as our customers and as a practical example of how to make the world a better place to live in.

Here's to your good luck, and good
business in 1943.

Our Reporter's Report

(Continued from first page)

Government as a whole, but not in part, upon at least 45 days notice, at 104 on or prior to Jan. 15, 1946. Thereafter, to and including Jan. 15, 1949, the redemption price is 103 and to and including Jan. 15, 1951 it is 102, and thence to maturity at par with accrued interest in all cases.

The 15-year 3s, maturing in 1958 may be redeemed at the option of the issuer, as a whole, or in part, by lot at any time on 45 days notice at 104 until 1946, thereafter to Jan. 15, 1949 at 103; then until Jan. 15, 1952 at 102, until Jan. 15, 1955 at 101 and thereafter to maturity at par, also with accrued interest in all instances.

Dullness Still the Rule

The investment fraternity was not disposed to look for much in the way of revival in buyer interest during the current week, and it was indicated that the period would be quite as devoid of real activity as the holiday period.

Institutional interests, which constitute the bulk of the market these days, are not inclined to rush the reopening of their books, it was pointed out.

Such buyers, it was contended, usually like to spend the opening week of the new year in rechecking portfolios with a view to catching any possible oversights in previous inventory taking.

And, of course, with things as they are the interest of the rank and file of small public investors runs pretty much to war bonds of the Government.

Distributing the Burden

New York State's retiring Superintendent of Banks, Jackson S. Hutto, pointing to the need for "spreading the distribution of new Treasury securities more evenly throughout the country," cited some interesting data on the position of State banks. He noted, too, the change in the flow of funds growing out of war activities.

These institutions, he showed, have made loans in the amount of $1,144,000,000 to finance war industry in the year ended Oct. 31 last, sold $723,000,000 of war bonds and $3,290,000,000 of other types of Treasury obligations and since June 30, 1939 had added $3,317,000,000 of governments to their own accounts, more than doubling such holdings.

He showed that such banks, in the year ended Sept. 30 last, had added $1,673,000,000 of governments, even when deposits rose only $219,000,000 and cash accounts were declining $1,338,000,000.

Alfred Baker Admits Henderson And Wise

CHICAGO, ILL. — Alfred L. Baker & Co., 111 South La Salle Street, members of the New York and Chicago Stock Exchanges, announce that Thomas Henderson and John P. Wise, employees of the firm since 1916 and 1910 respectively, have been admitted to partnership.

Walter W. Crawford, a partner since 1928, is withdrawing from the firm "for the duration" to accept a position with a war production industry.

FIDELITY-PHILADELPHIA
TRUST COMPANY

Organized 1866

Statement of Condition, December 31, 1942

ASSETS

Cash on Hand and due from Banks	$40,953,177.37
Loans	38,050,735.53
Investments:	
U. S. Government Securities	43,956,709.31
State, County and Municipal Securities	13,821,138.49
Other Investments	23,118,542.26
Mortgages Owned	2,139,894.50
Investment in Fidelity Building Corporation	3,230,468.07
Real Estate Owned	3,997,299.31
Vaults, Furniture and Fixtures	1,299,277.05
Accrued Interest Receivable	687,438.74
Prepaid Taxes and Expenses	305,088.69
Cash and Transient Collections	379,591.75
Other Assets	177,656.61
	$172,117,017.68

LIABILITIES

Capital	$6,700,000.00
Surplus	11,000,000.00
Undivided Profits	2,130,477.89
Reserve for Contingencies, etc.	636,087.95
Reserve for Interest, Taxes, etc.	544,032.22
Other Liabilities	9,450.00
Deposits	151,096,699.62
	$172,117,017.68

United States Government obligations and other securities carried in the above statement are pledged to secure Government, State and Municipal deposits, Clearing House Exchanges, and for fiduciary purposes as required by law in the sum of $30,165,857.62.

MARSHALL S. MORGAN
President

KENNETH G. LE FEVRE
Treasurer

135 South Broad Street

FOR VICTORY
BUY
UNITED STATES
WAR
BONDS
AND
STAMPS

325 Chestnut Street

MEMBER
FEDERAL RESERVE SYSTEM

MEMBER
FEDERAL DEPOSIT INSURANCE
CORPORATION

...THE...
PHILADELPHIA
NATIONAL BANK

Organized 1803

December 31, 1942

RESOURCES

Cash and due from Banks	$ 213,194,414.93
U. S. Government Securities	375,279,847.52
State, County and Municipal Securities	19,593,994.24
Other Securities	38,429,702.99
Loans and Discounts	81,461,520.95
Bank Buildings	2,600,000.00
Accrued Interest Receivable	1,837,303.70
Customers Liability Account of Acceptances	772,021.77
	$733,168,806.10

LIABILITIES

Capital Stock	$ 14,000,000.00
Surplus and Net Profits	33,869,233.85
Reserve for Contingencies	3,048,171.53
Reserve for Taxes	1,776,315.07
Dividend (Payable January 2, 1943)	875,000.00
Unearned Discount and Accrued Interest	164,909.57
Acceptances	1,007,744.95
Deposits	678,427,431.13
	$733,168,806.10

EVAN RANDOLPH, *President*

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Philadelphia, Pa.

Calendar of New Security Flotations

OFFERINGS

GRAND FORKS HERALD, INCORPORATED

Grand Forks Herald, Incorporated, has filed a registration statement with the SEC for $170,000 4½% first mortgage serial maturity bonds, dated Sept. 1, 1942. Bonds will mature as follows: $12,000 on each Sept. 1 from Sept. 1, 1943 to and including Sept. 1, 1951; $62,000 on Sept. 1, 1952

Address — 118 North Fourth Street, Grand Forks, N. D.

Business—Newspaper publication

Offering—Bonds are to be offered at prices ranging from 100.50 and interest to 104.08 and interest

Underwriting—Kalman & Co., Inc., St. Paul, is the sole underwriter

Proceeds—The net proceeds, together with other funds of the corporation, are to be used to retire as of Jan. 1, 1943, the corporation's 6½% 15-year sinking fund debenture bonds due Sept. 1, 1944

Registration Statement No. 2-5049. Form A-2. (10-12-42)

Registration effective 5.30 p. m. ESWT on Nov. 9, 1942

Offered by Kalman & Co., Inc., at average price of 102.1073% and interest.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930(b).

Offerings will rarely be made before the day following.

THURSDAY, JAN. 7

SHERIDAN BELMONT HOTEL CO.

G. W. Rosseter and others as trustees under a voting trust have filed a registration statement with the SEC for voting trust certificates for 6,813 shares of common stock, no par value of Sheridan-Belmont Hotel Co.

Address—Address of trustees, Securities Service Corp., 310 South Michigan Ave., Chicago. Address of hotel, southwest corner of Sheridan Road and Belmont Ave., Chicago.

Business—Owns and operates an apartment hotel building.

Underwriting—No underwriting.

Offering—Registration of 6,813 certificates is on the assumption that all of the present holders of participating certificates will agree to the extension of the present trust agreement. If less than all of the holders of participating certificates consent, the trust agreement will apply only to those who do consent.

Purpose—For extension of voting trust agreement. The securities are presently subject to a trust agreement which expires April 1, 1943. It is proposed to extend the agreement to April 1, 1953.

Registration Statement No. 2-5074. Form F-1 (12-19-42).

SATURDAY, JAN. 9

GROUP SECURITIES, INC.

Group Securities, Inc., has filed a registration statement with SEC for 3,000,000 shares of capital stock of the par value of 1 cent per share. For registration purposes the aggregate amount of the proposed offering is placed at $21,900,000

Address—No. 1 Exchange Place, Jersey City, N. J.

Business—Investment trust.

Underwriting—Distributors Group, Inc., is named principal underwriter.

Offering—It is proposed to offer the 3,000,000 shares at prices based on fluctuating market prices and shares will be issued in the class or classes as selected by investors, such classes covering 20 different types of industry.

Proceeds—For investment.

Registration Statement No. 2-5075. Form A-1. (12-21-42)

SUNDAY, JAN. 10

GOVERNMENT OF THE DOMINION OF CANADA

Government of the Dominion of Canada has filed a registration statement with the SEC for $90,000,000 of bonds, consisting of $30,000,000 5-year 2½% bonds, due Jan. 15, 1948; $30,000,000 10-year 3% bonds, due Jan. 15, 1953, and $30,000,000 15-year 3% bonds, due Jan. 15, 1958. All bonds are dated Jan. 15, 1943.

Offering—The offering price to the public will be supplied by amendment. The underwriters propose to offer the $90,000,000 face amount of bonds in part directly to the public at the public offering prices and accrued interest and the balance to dealers at the public offering price and accrued interest less a concession the amount of which will be supplied by amendment.

Proceeds—The proceeds to be received by the Government from the sale of the bonds, together with funds from the Treasury, are to be applied to the redemption of $100,000,000 face amount of the Dominion's 30-year 5% bonds dated May 1, 1922, due May 1, 1952. These bonds will be called for redemption on or about March 15, 1943, at the principal amount thereof together with accrued interest to date of redemption. Such accrued interest will be paid from funds held by the Treasury of the Dominion.

In the prospectus all amounts are expressed in Canadian dollars unless otherwise specified, conversion of pounds sterling into Canadian dollars being made at the rate of one pound equals $4.86⅔ and of U. S. dollars into Canadian dollars at $1 U. S. equals $1 Canadian. The bonds are to be direct obligations of the Government of the Dominion of Canada, and are to be issued under "The Loan Act, 1942." Principal and interest will be payable at the agency of the Bank of Montreal in New York, in such coin or currency of the United States as at the time of payment is legal tender for public and private debts. The principal of and interest on these bonds will be free from deduction for all present and future taxes imposed by the Government, except when the bonds or coupons, as the case may be, are beneficially owned by any person residing in or ordinarily a resident of the Dominion of Canada.

The bonds are not to be secured and no sinking fund is to be provided for the amortization or retirement thereof. Dominion will make application to list bonds on the New York Stock Exchange.

Underwriters—The names of the underwriters, with the principal amount underwritten, the amount being the same for each of the three issues, are as follows:

Morgan, Stanley & Co., $1,675,000; A. C. Allyn & Co., Inc., $150,000; Almstedt Brothers, $35,000; A. E. Ames & Co., Inc., $900,000; F. B. Ashplant & Co., $250,000; Auchincloss, Parker & Redpath, $50,000; Bacon, Whipple & Co., $125,000; Baker, Watts & Co., $75,000; Baker, Weeks & Harden, $50,000; Bear, Stearns & Co., $50,000; A. G. Becker & Co., Inc., $150,000; Biddle, Whelen & Co., $35,000; Blair & Co., Inc., $200,000; Blair, Bonner & Co., $125,000; Blyth & Co., Inc., $900,000; Bodell & Co., Inc., $50,000; Boettcher & Co., $35,000; Bosworth, Chanute, Loughridge & Co., $35,000; Alex. Brown & Sons, $150,000; Burns, Potter & Co., $35,000; Butcher & Sherrerd, $35,000; Central Republic Co. (Inc.), $150,000; E. W. Clark & Co., $125,000; Clark, Dodge & Co., $300,000; Coffin & Burr, Inc., $125,000; Curtiss, House & Co., $35,000; J. M. Dain & Co., $35,000; Paul H. Davis & Co., $35,000; R. L. Day & Co., $75,000; Dick-Merle-Smith, $125,000.

Dillon, Read & Co., $1,400,000; Dominick & Dominick, $300,000; Dominion Securities Corp., $900,000; Drexel & Co., $500,000; Francis I. du Pont & Co., $50,000; Eastman, Dillon & Co., $300,000; Elkins, Morris & Co., $50,000; Equitable Securities Corp., $100,000; Estabrook & Co., $250,000; Fahey, Clark & Co., $35,000; Farwell, Chapman & Co., $35,000; Ferris & Hardgrove, $35,000; Field, Richards & Co., $35,000.

First Boston Corp., $1,400,000; First of Michigan Corp., $100,000; Folger, Nolan & Co., $50,000; Robert Garrett & Sons, $35,000; Glore, Forgan & Co., $300,000; Goldman, Sachs & Co., $500,000; Graham, Parsons & Co., $125,000; Green, Ellis & Anderson, $50,000; Hallgarten & Co., $175,000.

Harriman Ripley & Co., Inc., $1,200,000; Harris, Hall & Co. (Inc.), $250,000; Hawley, Shepard & Co., $50,000; Hayden, Miller & Co., $125,000; Hayden, Stone & Co., $200,000; Hemphill, Noyes & Co., $300,000; J. J. B. Hilliard & Son, $50,000; Hornblower & Weeks, $300,000; W. E. Hutton & Co., $300,000; Illinois Co. of Chicago, $125,000; Janney & Co., $35,000; Kalman & Co., Inc., $50,000; Kean, Taylor & Co., $75,000; Kebbon, McCormick & Co., $75,000; A. M. Kidder & Co., $50,000; Kidder, Peabody & Co., $800,000; Kirkpatrick-Pettis Co., $35,000.

Kuhn, Loeb & Co., $1,400,000; Laird, Bissell & Meeds, $50,000; W. C. Langley & Co., $125,000; Lazard Freres & Co., $500,000; Lee Higginson Corp., $500,000; Carl M. Loeb, Rhoades & Co., $75,000; Mackubin, Legg & Co., $35,000; Laurence M. Marks & Co., $150,000; Mason-Hagan, Inc., $35,000; A. E. Masten & Co., $50,000; McDonald-Coolidge & Co., $100,000; McLeod, Young, Weir, Inc., $400,000; McMaster, Hutchinson & Co., $35,000.

Mellon Securities Corp., $800,000; Merrill Lynch, Pierce, Fenner & Beane, $250,000; Merrill, Turben & Co., $50,000; Milwaukee Co., $50,000; Moore, Leonard & Lynch, $75,000; F. S. Moseley & Co., $300,000; Maynard H. Murch & Co., $35,000; W. H. Newbold's Son & Co., $75,000; Newton, Abbe & Co., $50,000; Ohio Co., $50,000; Paine, Webber, Jackson & Curtis, $300,000; Parrish & Co., $35,000; Arthur Perry & Co., Inc., $75,000; Phelps, Fenn & Co., $100,000; Piper, Jaffray & Hopwood, $35,000.

R. W. Pressprich & Co., $175,000; Putnam & Co., $50,000; Reynolds & Co., $75,000; Riter & Co., $125,000; E. H. Rollins & Sons, Inc., $300,000; L. F. Rothschild & Co., $150,000; Salomon Bros. & Hutzler, $300,000; Gordon Saunder Co., $100,000; Schoellkopf, Hutton & Pomeroy, Inc., $100,000; Schwabacher & Co., $50,000; Scott & Stringfellow, $50,000; Chas. W. Scranton & Co., $50,000; Shields & Co., $250,000; Singer, Deane & Scribner, $75,000.

Smith, Barney & Co., $1,200,000; Starkweather & Co., $100,000; Stein Bros & Boyce, $50,000; Stern Bros. & Co., $75,000; Stillman, Maynard & Co., $75,000; Stone & Webster and Blodget, Inc., $300,000; Stroud & Co., Inc., $50,000; Swiss American Corp., $75,000; Spencer Trask & Co., $200,000; Tucker, Anthony & Co., $250,000.

Union Securities Corp., $500,000; G. H. Walker & Co., $100,000; Watling, Lerchen & Co., $35,000; Weeden & Co., $35,000; Wells-Dickey Co., $100,000; Wertheim & Co., $100,000; White, Weld & Co., $500,000; Whiting, Weeks & Stubbs, Inc., $125,000; Wisconsin Co., $300,000; Dean Witter & Co., $200,000; Wood, Gundy & Co., Inc., $900,000; Wood, Struthers & Co., $250,000; Yarnall & Co., $35,000.

Registration Statement No. 2-5081. Form schedule B. (1-4-43)

TUESDAY, JAN. 12

PUBLIC SERVICE CO. OF NEW HAMPSHIRE

Public Service Co. of New Hampshire has filed a registration statement with the SEC for $22,000,000 first and general mortgage bonds, series A 3¼% to be dated Jan. 1, 1943, maturing Jan. 1, 1973.

Address—1087 Elm St., Manchester, N. H.

Business—Company is engaged principally in the generation of electric energy and its transmission, distribution and sale to about 78,300 domestic, commercial, industrial, agricultural and municipal customers in New Hampshire and Vermont. It also manufactures and distributes gas.

Underwriting—To be supplied by post-effective amendment.

Offering—Company proposes to sell the bonds at competitive bidding pursuant to the rules of the Commission. Contemporaneously with the issuance of the bonds, company will issue and sell 3,284 shares of its common stock, no par value, to New England Public Service Co., parent of the company, at a price of $60 per share flat or $197,040, and will issue and sell $2,500,000 face amount of its unsecured notes at private sale to financial institutions.

Proceeds—The aggregate net proceeds of said bonds, notes and common stock will be used to pay principal, premium and 30 days' interest in the redemption of all of the company's first mortgage bonds aggregating $18,929,000 face amount, to pay off bank loans totaling $1,000,000, to purchase from Twin State Gas & Electric Co. the utility properties and other assets of its New Hampshire division $4,281,897, to purchase certain assets from New England Public Service Co. $197,080 and other corporate purposes. All companies are subsidiaries of NEPSCO and transactions are the second step in the proposed simplification of NEPSCO. First step was the recently consummated merger of Cumberland County Power & Light Co. with Central Maine Power Co. Third step contemplates the acquisition by Central Vermont Public Service Co., also a subsidiary of NEPSCO, of the remainder of the assets of Twin State located in Vermont by merger.

Registration Statement No. 2-5076. Form A-2. (12-24-42)

SATURDAY, JAN. 16

PUGET SOUND POWER & LIGHT CO.

Puget Sound Power & Light Co. has filed a registration statement with the SEC for $52,000,000 first mortgage bonds series due Dec. 1, 1972, and $8,000,000 debentures due Dec. 1, 1951. The interest rates will be supplied by amendment.

Address—860 Stuart Building, Seattle, Wash.

Business—Applicant's properties consist, generally speaking, of electric, gas, steam heat and telephone utility properties located in the central and western portions of the State of Washington. It is engaged principally in the business of generating, transmitting, distributing and selling electric energy in all or parts of 19 counties in the western and central portions of the State of Washington, comprising approximately 4,500 square miles.

Underwriting—Names of underwriters will be supplied by post-effective amendment. The company proposes to sell both the bonds and debentures at competitive bidding. The invitation for bids will provide that each bid covering the bonds shall specify the coupon rate (which shall be a multiple of ¼%) and the price to be paid to the company for the bonds; and each bid covering the debentures shall specify the coupon rate (which shall be a multiple of ⅛%) and the price to be paid to the company.

Offering—The offering price to the public will be supplied by post-effective amendment.

Proceeds—Net proceeds from the sale of the new bonds and the new debentures, together with general funds of the company, are to be used for: Redemption of the old bonds, series A, in the face amount of $36,039,500 at 101½%, or $36,580,093; redemption of the old bonds, series C, in face amount of $8,850,000 at 102%, or $9,027,000, and redemption of old bonds, series D, in face amount of $13,995,000 at 102%, or $14,274,900, or grand total of $59,881,993. There is pending before the SEC an application under Section 11(e) of the Public Utility Holding Company Act of 1935, by Engineers Public Service Co.—parent company—to which Puget joined as a party, for the approval of a plan for recapitalization of Puget. This plan, if approved, would reduce the percentage of voting power of Puget owned by Engineers from 77.4% to 1.8%. Engineers has been ordered by the Commission to dispose of its entire interest in the company. Engineers has advised Puget that it intends to comply with this order as soon as it can do so.

Registration Statement No. 2-5077. Form A-2. (12-28-42).

SUNDAY, JAN. 17

DEERFIELD PACKING CORP.

Deerfield Packing Corp. has filed a registration statement with the SEC for $1,250,000 5% sinking fund debentures due Dec. 1, 1954, and 47,215 shares of common stock, without par value. Of the stock registered, 35,715 shares will be reserved for issuance upon exercise of

MELLON NATIONAL BANK
PITTSBURGH

STATEMENT OF CONDITION AT THE CLOSE OF BUSINESS
DECEMBER 31, NINETEEN HUNDRED FORTY-TWO

RESOURCES		LIABILITIES	
LOANS AND DISCOUNTS	$ 39,484,737.85	CAPITAL	$ 7,500,000.00
OVERDRAFTS	13.15	SURPLUS	30,000,000.00
UNITED STATES OBLIGATIONS	294,219,394.02	UNDIVIDED PROFITS	4,941,623.03
OTHER BONDS AND INVESTMENTS	10,535,351.56	RESERVES	11,086,009.54
BANKING HOUSE, FURNITURE AND FIXTURES	3,234,703.70	DEPOSITS	459,237,958.46
CASH AND DUE FROM BANKS	165,291,390.75		
	$512,765,591.03		$512,765,591.03

DIRECTORS

GEORGE A. BLACKMORE
ARTHUR V. DAVIS
CHILDS FRICK
WILLIAM B. GIVEN, JR.
HENRY J. HEINZ II
ROY A. HUNT
BENJAMIN F. JONES III
CHARLES LOCKHART
RICHARD K. MELLON
WILLIAM L. MELLON
LAWRENCE N. MURRAY
HENRY A. PHILLIPS
DAVID A. REED
WILLIAM C. ROBINSON
WILLIAM M. ROBINSON
ALAN M. SCAIFE
WILLIAM P. SNYDER, JR.
HARRY S. WHERRETT
CURTIS M. YOHE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

J. P. MORGAN & CO.
INCORPORATED
NEW YORK

Condensed Statement of Condition December 31, 1942

ASSETS		
Cash on Hand and Due from Banks		$154,589,149.44
United States Government Securities, Direct and Fully Guaranteed		426,826,911.23
State and Municipal Bonds and Notes		22,582,296.65
Stock of the Federal Reserve Bank		1,200,000.00
Other Bonds and Securities (including Shares of Morgan Grenfell & Co. Limited)		18,483,121.11
Loans and Bills Purchased		79,607,407.58
Accrued Interest, Accounts Receivable, etc.		1,736,520.98
Banking House		4,000,000.00
Liability of Customers on Letters of Credit and Acceptances	$2,988,955.34	
Less Prepayments	129,200.17	2,859,755.17
Total Assets		$711,885,162.16
LIABILITIES		
Deposits	$656,946,786.42	
Official Checks Outstanding	9,146,544.35	$666,093,330.77
Accounts Payable and Miscellaneous Liabilities		985,367.78
Acceptances Outstanding and Letters of Credit Issued		2,988,955.34
Capital	$20,000,000.00	
Surplus	20,000,000.00	
Undivided Profits	1,817,508.27	41,817,508.27
Total Liabilities		$711,885,162.16

United States Government securities carried at $80,555,530.74 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member Federal Reserve System
Member Federal Deposit Insurance Corporation

January 4, 1943.

conversion rights with respect to the debentures, and the remaining 11,500 shares will be offered for sale. Company states that it is possible that due to future adjustments in the conversion price, not now anticipated, more than 35,715 shares will be required for issuance upon exercise of conversion rights, and it is intended that present statement shall cover, such additional shares, of any, as may be required for issuance upon exercise of the conversion rights.

Address—Bridgeton, N. J.

Business—Company is engaged primarily in the manufacture of quick-frozen vegetables. The major portion of its frozen products is quick-frozen by the Birdseye process, but the company has developed and uses other processes for quick-freezing for customers who require large packages of frozen vegetables or loose frozen commodities.

Offering—Offering price to the public of the debentures and shares of common stock will be furnished by amendment.

Underwriting—E. H. Rollins & Sons, Inc., is principal underwriter for the debentures with others to be named by amendment. E. H. Rollins & Sons, Inc., is named underwriter for the common stock.

Proceeds—About $487,000 of the net proceeds from the sale of the debentures and common stock are to be used to discharge the balance of $480,000 due on a bank loan in the amount of $600,000, together with accrued interest and premium thereon. Balance are to be added to the company's general funds.

Registration Statement No. 2-5078. Form A-2. (12-29-42)

PINEHURST, INC.

Pinehurst, Inc., has filed a registration statement with the SEC for $250,000 first mortgage 5% bonds, due May 1, 1953.

Address—Pinehurst, N. C.

Business—Operation of a winter resort.

Offering—Pinehurst, Inc., is offering to the holders of its 6% first mortgage gold bonds due May 1, 1943, the opportunity to exchange their bonds, plus accrued interest, for first mortgage 5% bonds now registered. Exchange basis is for a like principal amount of the bonds to be offered, with adjustment in cash for accrued interest. The plan will become operative when and if, prior to May 1, 1943, holders of substantially all of the bonds of the company due May 1, 1943, shall have filed agreements, but the company reserves the right in its discretion to declare the plan operative prior to May 1, 1943, upon receipt of agreements which it may deem acceptable to it. Company reserves the right to offer for sale for cash at not less than 100% of face amount, plus accrued interest, such portion of the bonds to be offered under registration statement as may not be accepted by the holders of the old bonds. At May 31, 1942, there were $236,000 of old bonds outstanding.

Underwriting—Company has not entered into any agreement providing a first commitment for the purchase of the first mortgage 5% bonds. It will, however, enter into an agreement with Mackubin, Legg & Co., Baltimore, who may be underwriters whereby the underwriters who have aided in preparing the exchange offer and plan will use their best efforts in obtaining agreements of exchange, including the obtaining of services of other dealers, for which they will be compensated.

Proceeds—To redeem old 6% first mortgage bonds and for general funds.

Registration Statement No. 2-5079. Form A-2. (12-29-42)

NORTHWEST PUBLICATIONS, INC.

Northwest Publications, Inc., has filed a registration statement with SEC for $382,500 5½% subordinated debentures, due Dec. 1, 1957.

Address—55-63 East Fourth St., St. Paul, Minn.

Business—Engaged in the publication of newspapers in the cities of St. Paul and Duluth, Minn.

Offering—Under the plan of recapitalization the corporation offers a 5½% debenture in the face amount of $100 for each share of its 3,825 outstanding shares of first preferred stock together with all rights to dividends accruing thereon after Dec. 1, 1942. Under the plan of recapitalization, the holders of first preferred may deposit their exchange agreements prior to March 15, 1943, or such later date as may be determined by the corporation, but not beyond May 15, 1943. The plan shall become effective automatically, when holders of 80% of face amount of first preferred deposit their exchange agreements, or by declaration by the corporation, at its option, upon receipt of exchange agreements covering less than such 80%.

Underwriting—The corporation has not entered into any agreement providing a firm commitment for the purchase of subordinated debentures. It has entered into an agreement with Kalman & Co., Inc., Wells-Dickey Co. and Harold E. Wood & Co. to act as dealer-managers. They are to use their best efforts for a period of 60 days following the effective date of the registration statement to effectuate exchange of the securities registered for the corporation's outstanding first preferred stock.

Proceeds—Plan of recapitalization.

Registration Statement No. 2-5080. Form A-2. (12-29-42)

DEALER BRIEFS

Philadelphia, Pa.

We used to sit around and damn the administration—now we get out and hustle for business. We find the latter course pays better dividends. Customers are willing to buy securities that give them a hedge against possible inflation.—*G. H. Williams, Kennedy & Co.*

Walter Sullivan With Carl M. Loeb, Rhoades

Walter E. Sullivan, formerly manager of the investment department of Elder & Company, has become associated with Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges.

No Common Sense Ration

Putnam & Co., 6 Central Row, Hartford, Conn., members of the New York Stock Exchange, have issued the firm's January Bulletin entitled "There's No Rationing of Common Sense," in which Mr. Putnam makes a suggestion of importance at the present time to all holders of securities. Copies of the Bulletin may be had from Putnam & Co., upon request.

To Be NYSE Members

With the acquisition of a New York Stock Exchange membership by Milton R. Katzenberg, from Harold Fitzgerald, Jacob Stern & Sons, 100 Gold Street, New York City, will become members of the Exchange. Partners of the firm, which deals in hides and leather, are: Milton R. Katzenberg, Lucien Katzenberg, Lucien Katzenberg, Jr., and William R. Katzenberg.

McLaughlin, Baird & Reuss Opens In NY

Announcement is made of the formation of the firm of McLaughlin, Baird & Reuss, members of the New York Stock Exchange, to transact a bond brokerage business specializing in railroad securities, with offices at 1 Wall Street, New York. The new firm consists of John F. McLaughlin, for the past 20 years with A. M. Kidder & Co.; Harold S. Baird, Exchange member, Gordon H. Ullrich, W. Wendell Reuss, specialist on railroad reorganization bonds, and Frank J. Brady, all formerly with Townsend, Graff & Co., and Alvin J. Delaire, formerly of W. S. Sagar & Co.

Formation of the firm was previously reported in the "Financial Chronicle" of Dec. 24, 1942.

Woodward To Manage Pyne-Kendall Branch

Pyne, Kendall & Hollister-Reynolds, Fish & Co., announce that Richard H. Woodward, Jr., is now associated with them as manager of their branch office at 522 Fifth Avenue.

After receiving an honorable discharge from the United States Navy as a lieutenant (j. g.) in August, 1919, Mr. Woodward joined Merrill, Lynch & Co. as a security salesman. He later became manager of the firm's uptown office and subsequently was admitted to general partnership. From Feb. 1, 1930, to May 1, 1938, he was resident partner of the uptown office of E. A. Pierce & Co. Mr. Woodward joined Fuller, Rodney & Co. in September, 1940, and remained with them and their successor firm, Merrill Lynch, Pierce, Fenner & Beane until Jan. 4, 1942.

Adams & Peck Admits Calvin Dale As Partner

Adams & Peck announce that E. Stuart Peck who has been a general partner of the firm has become a limited partner. The firm also announces that Calvin D. Dale, who has been associated with them for many years in charge of the stock department, has been admitted as a partner.

Howard & Robt. Snyder With John P. Witt Co.

CLEVELAND, OHIO — Robert W. Snyder, member of the Cleveland Stock Exchange, and Howard E. Snyder have become associated with John P. Witt & Co., Union Commerce Building, Cleveland Exchange firm. Both were formerly partners in the recently dissolved firm of W. S. Snyder & Co.

B'way Motors Bldg. Corp. Currently Attractive

The First Leasehold Fixed and Cumulative Income 4-6s due Feb. 1, 1948, of the Broadway Motors Building Corporation (General Motors Building) offer attractive possibilities according to a memorandum just issued by Seligman, Lubetkin & Co., Inc., 30 Broad Street, New York City. Copies of the memorandum describing the situation in detail may be had upon request from Seligman, Lubetkin & Co.

Guaranty Trust Company of New York

Fifth Ave. at 44th St. **140 Broadway** **Madison Ave. at 60th St.**

London: 11 Birchin Lane, E. C. 3; Bush House, W. C. 2

Condensed Statement of Condition, December 31, 1942

RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers		$ 640,745,488.93
U. S. Government Obligations		1,692,372,867.88
Public Securities		46,676,486.16
Stock of the Federal Reserve Bank		7,800,000.00
Other Securities and Obligations		21,754,946.79
Loans and Bills Purchased		563,913,215.91
Credits Granted on Acceptances		1,207,213.88
Accrued Interest and Accounts Receivable		7,634,055.83
Real Estate Bonds and Mortgages		1,686,078.11
		2,983,790,353.49
Bank Buildings		10,603,604.19
Other Real Estate		1,104,664.63
Total Resources		$2,995,498,622.31

LIABILITIES

Deposits	$2,676,622,241.77	
Treasurer's Checks Outstanding	21,639,937.96	
		$2,698,262,179.73
Acceptances	$4,722,150.08	
Less: Own Acceptances Held for Investment	3,514,936.20	
		1,207,213.88
Liability as Endorser on Acceptances and Foreign Bills		73,911.00
Foreign Funds Borrowed		152,550.00
Dividend Payable January 2, 1943.		2,700,000.00
Items in Transit with Foreign Branches and Net Difference in Balances Between Various Offices Due to Different Statement Dates of Foreign Branches		1,309,555.54
Miscellaneous Accounts Payable, Accrued Taxes, etc.		9,246,152.82
		2,712,951,562.97
Capital	$ 90,000,000.00	
Surplus Fund	170,000,000.00	
Undivided Profits	22,547,059.34	
Total Capital Funds		282,547,059.34
Total Liabilities		$2,995,498,622.31

Securities carried at $617,335,858.62 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

This Statement includes the resources and liabilities of the English Branches as of December 26, 1942, French Branches as of September 30, 1942, and Belgian Branch as of October 31, 1941.

Member Federal Deposit Insurance Corporation

The National City Bank of New York

Head Office:
Fifty-five Wall Street
New York

Branches
Throughout Greater
New York

Condensed Statement of Condition as of December 31, 1942

(In Dollars)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers	$ 901,172,805
United States Government Obligations (*Direct or Fully Guaranteed*)	1,988,096,539
Obligations of Other Federal Agencies	40,685,588
State and Municipal Securities	157,477,345
Other Securities	41,153,413
Loans, Discounts, and Bankers' Acceptances	573,450,840
Real Estate Loans and Securities	5,463,330
Customers' Liability for Acceptances	3,630,239
Stock in Federal Reserve Bank	4,650,000
Ownership of International Banking Corporation	7,000,000
Bank Premises.	38,160,040
Other Assets	731,142
Total	$3,761,671,281

LIABILITIES

Deposits (Includes United States War Loan Deposit $639,736,171)		$3,555,940,023
Liability on Acceptances and Bills	$ 5,949,927	
Less: Own Acceptances in Portfolio	1,492,112	4,457,815
Items in Transit with Branches		9,551,054
Reserves for:		
Unearned Discount and Other Unearned Income		2,226,619
Interest, Taxes, Other Accrued Expenses, etc.		7,602,320
Dividend		3,100,000
Capital	$77,500,000	
Surplus	77,500,000	
Undivided Profits.	23,793,450	178,793,450
Total		$3,761,671,281

Figures of foreign branches are as of December 23, 1942, except those for enemy-occupied branches which are prior to occupation but less reserves.

$775,828,299 of United States Government Obligations and $13,564,326 of other assets are deposited to secure $732,519,800 of Public and Trust Deposits and for other purposes required or permitted by law.

(*Member Federal Deposit Insurance Corporation*)

OPPORTUNITY —Are you qualified by education and experience to fill a position as trust account investment supervisor in a large, old established Chicago trust company? An opening is available for such a man 30-40 years of age. All replies will be treated confidentially and should give complete qualifications and draft status. Address Box N. T. 26, this paper.

W. T. Childs Urged As Baltimore Comptroller

BALTIMORE, MD.—William T. Childs, Sr., partner in Stein Bros. & Boyce, Baltimore investment banking firm, is being considered for the post of City Comptroller on the Democratic ticket in the spring election.

The post became vacant some weeks ago upon the death of R. Walter Graham who was then serving his fifth consecutive term. Filling this place on the ticket is regarded as an extremely difficult task since it is considered difficult to find available a candidate with the experience and competence that Mr. Graham brought to the office.

Mr. Childs served the City for six years as Deputy Comptroller, his work dealing largely with municipal, fiscal and accounting problems. James F. Thrift, then Comptroller, instituted a budget system, created a purchasing department and established an insurance fund. It was Mr. Childs' duty to work out the details of the plans and supervise their successful carrying out. Mr. Childs resigned his city post after six years and entered the banking business. For the past sixteen years he has been a partner in Stein Bros. & Boyce.

G. Caplan & A. Feuer With J. R. Williston

J. R. Williston & Co., members New York Stock Exchange, announce that they have opened a branch office at 1 East 57th Street, New York City, under the management of Paul Forester.

The same firm also announces the establishment of a public utility department at their main office, 115 Broadway, New York, under the direction of Gabriel Caplan, formerly of Hettleman & Co. A. J. Feuer, formerly with Ernst & Co., will be associated with Mr. Caplan in this department.

Opening of J. R. Williston & Co.'s up-town branch was reported in the "Financial Chronicle" of Dec. 31, 1942.

Technicolor Looks Good

The outlook for Technicolor, Inc., as a specialty speculation is unusually attractive at the present time, according to a memorandum issued by E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this interesting memorandum may be had from the firm upon request.

WARREN BROS.
Old Common & Preferred
New Class "B" and "C"

Bought — Sold — Quoted

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HAY, FALES & CO.
Members New York Stock Exchange
71 Broadway N.Y. BOwling Green 9-7027
Bell Teletype NY 1-61

Our Reporter On "Governments"

(Continued from first page)

The old "on tap" 2½s of 1967/62 are selling around 100 11/32. . . . They're available only in registered form until May 5, 1952. . . .

Commercial banks are barred from holding either issue of 2½s. . . . Savings banks and others can buy whatever amounts they wish. . . .

Look at that differential. . . . Study it, particularly if your portfolio is in the non-banking classification. . . . The difference is ¼ point. . . . The premium favors the longer-term bond. . . .

The only disadvantage of the old 2½s is the fact that they are only registered bonds. . . .

Is the escape from registration worth nearly ¼ point—say, to an insurance company or savings bank or large corporation not interested in in-and-out trading? . . . Is the higher price justified on an issue due in 1968 instead of 1967, callable in 1963 instead of in 1962? . . .

Figure it out for yourself, guiding yourself by your own requirements. . . . But, objectively speaking, the answer is no—it's not worth ¼ point. . . .

Either the old 2½s must rise a bit or the new 2½s must slide back to fall in line. . . . Registration isn't that much of a drawback to too many investors once they notice the odd differential (caused by concentration on the December basket, the popularity of the issue, the dominance of coupon holders). . . .

Savings bank managers, particularly, may be interested in this switch for a better price position. . . .

PERSONNEL ITEMS

If you contemplate making additions to your personnel, please send in particulars to the Editor of the Financial Chronicle for publication in this column.

NEW YORK, N. Y.—**Charles M. Litzel**, formerly with Estabrook & Co., has become associated with **Hardy & Co.**, 30 Broad Street.

NEW YORK, N. Y. — **Milton Traubner** has been appointed associate manager of the 2291 Broadway branch office of **Hirsch, Lilienthal & Co.**

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Fred B. McCoy** has become affiliated with **F. S. Moseley & Co.**, Field Building. Mr. McCoy was formerly with Shearson, Hammill & Co. and prior thereto for many years with Winthrop, Mitchell & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **William E. Baker** has become associated with **M. A. Cayne & Co.**, Fidelity Building. Mr. Baker was previously with Borton & Borton, Inc., P. E. Kline, Inc., and Jackson & Curtis.

BANKERS TRUST COMPANY
NEW YORK

CONDENSED STATEMENT OF CONDITION, DECEMBER 31, 1942

ASSETS

Cash and Due from Banks		$ 484,927,526.99
U. S. Government Securities		711,606,351.50
Loans and Bills Discounted		336,522,340.28
State and Municipal Securities		29,481,628.77
Other Securities and Investments		39,518,561.97
Real Estate Mortgages		1,866,095.06
Banking Premises		16,165,603.68
Other Real Estate		222,756.16
Accrued Interest and Accounts Receivable		3,780,054.40
Customers' Liability on Acceptances		989,421.65
		$1,625,080,340.46

LIABILITIES

Capital	$25,000,000.00	
Surplus	50,000,000.00	
Undivided Profits	40,171,788.74	$ 115,171,788.74
Dividend Payable January 2, 1943		875,000.00
Deposits		1,504,657,609.12
Accrued Taxes, Interest, etc.		2,472,633.55
Acceptances Outstanding	$1,070,594.71	
Less Amount in Portfolio	81,173.06	989,421.65
Other Liabilities		913,887.40
		$1,625,080,340.46

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 8, 1942. Assets carried at $237,552,300.22 have been deposited to secure deposits, including $230,198,667.70 of United States Government deposits, and for other purposes.

Member of the Federal Deposit Insurance Corporation

Jos. King Exec. V.-P. Of Union Securities

Union Securities Corporation, 65 Broadway, New York City, has announced the election of Joseph H. King, as Executive Vice-President. Mr. King has been an officer of Union Securities Corporation since its formation in 1938 by Tri-Continental Corporation and Selected Industries Incorporated. He is a governor of the Bond Club of New York. Prior to the creation of Union Securities Corporation Mr. King was head of the bond department of J. & W. Seligman & Co. He had previously, after attending Columbia University, been with Peabody, Smith & Co., and the Guardian Detroit Company.

Auerbach, Pollak Co. Admits O. V. Hedberg

O. Viking Hedberg, member of the New York Stock Exchange, became a partner in Auerbach, Pollak & Richardson, New York Exchange member firm, 30 Broad Street, New York City, on Jan. 1st.

John Hone Auerbach withdrew from partnership in the firm on Dec. 31st, on which date the privilege of Walter G. Pollak to act as alternate for him on the floor of the Exchange was withdrawn.

Ft. Pitt Bridge Works
Common & 6s of 50
Penn. Central Airlines
Convertible Preferred
Mexican External
and Internal Loans
Mexican Interest Arrears Cfs.
Bought—Sold—Quoted
M. S. WIEN & CO.
Members N. Y. Security Dealers Ass'n
25 Broad St., N.Y. HAnover 2-8780
Teletype N. Y. 1-1397

J. O. Barnes, Others Join Crouter Bodine

PHILADELPHIA, PA.—Crouter Bodine & Gill, Packard Building, members of the New York and Philadelphia Stock Exchanges, announce the association with them of Joseph O. Barnes, Eli Kindig, Jr., Charles E. Pancoast, 2nd, and Clarence S. Mansfield. Mr. Barnes was formerly a partner in Barnes & Price.

Roy Hawk In Athens

ATHENS, OHIO—Roy E. Hawk is engaging in a general securities business from offices in the Cline Building. Mr. Hawk was formerly local manager for George T. Lennon & Co. of Columbus.

SPECIALIZING IN
PERSONAL TRUSTS & BANKING

FULTON TRUST COMPANY
OF NEW YORK
Main Office: 149 BROADWAY (*Singer Building*)
Uptown Office: 1002 MADISON AVE. (*Bet. 77th & 78th Sts.*)

CONDENSED STATEMENT, DECEMBER 31, 1942

RESOURCES

Cash in Vault	$ 288,373.27	
Cash on Deposit in Federal Reserve Bank of New York	7,508,584.94	
Cash on Deposit in other Banks	454,422.35	$31,002,532.44
U. S. Government Securities	22,159,816.33	
Demand Loans Secured by Collateral	591,335.55	
State and Municipal Bonds		1,067,677.31
Federal Reserve Bank of New York Stock		120,000.00
Other Securities		2,161,726.37
Time Loans Secured by Collateral		992,689.65
Loans and Bills Receivable		39,373.74
Overdrafts—Secured		8,701.65
Real Estate Bonds and Mortgages		293,067.53
Real Estate (Branch Office)		100,000.00
Other Real Estate		125,950.00
Accrued Interest and Other Resources		121,165.55
		$36,032,884.24

LIABILITIES

Due Depositors		$30,804,814.75
Dividend No. 153—$2.00 Payable January 2nd, 1943		40,000.00
Reserved for Taxes, Expenses and Contingencies		225,348.20
Capital	$2,000,000.00	
Surplus	2,000,000.00	
Undivided Profits	962,721.29	
		4,962,721.29
		$36,032,884.24

BOARD OF DIRECTORS
LEWIS SPENCER MORRIS, *Chairman of the Board*
EDMUND P. ROGERS, *Chairman of the Executive Committee*
ARTHUR J. MORRIS, *President*

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RUSSELL V. CRUIKSHANK
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Final Edition THURSDAY In 3 Sections—Section 2

The COMMERCIAL & FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

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Internal Revenue Bureau Outlines Procedure For Liquidating Corporation As War Loss

Commissioner of Internal Revenue Guy T. Helvering on Dec. 24 called attention to the fact that the Revenue Act of 1942 allows a taxpayer owning at least half the stock of a corporation which has suffered substantial war losses to treat a portion of his loss upon the liquidation of such corporation as a war loss. The advices from the Bureau of Internal Revenue further stated:

"Many inquiries have been received by the Bureau with respect to corporations which will not be able to comply with certain technicalities incident to any such liquidation. For example, a corporation chartered by the Netherlands Government may be required to hold its shareholders' meeting in Amsterdam. Unable to comply with this requirement, it holds a shareholders' meeting in New York, at which liquidation is voted. For this reason the Commissioner issued the following announcement describing the procedure in such cases:

"Under section 127 (e) of the Internal Revenue Code, as amended by section 156 of the Revenue Act of 1942, a shareholder's loss upon the complete liquidation of a corporation which sustained substantial war losses, as described in that section, is deemed to the extent attributable to such war losses of the corporation to be a war loss to the shareholder, provided that such shareholder owns at least 50% of each class of stock of the corporation. Section 127 (e) (1) provides that the corporation must completely liquidate 'by distributing all the assets which it is able to distribute and all its rights to assets which it is not able to distribute, including the right to the recovery of the property described in subsection (a) (1) and (2)' of section 127.

"In the case of each taxpayer claiming a loss under section 127 (e), the Bureau will consider the validity of the liquidation on the basis of whether the corporation had undertaken in a bona fide manner to comply as fully as possible with all provisions of law applicable to such corporation. In such cases the Bureau will not question the absence of any formalities with which the corporation was not reasonably able to comply. The Bureau will not disallow the loss on account of the liquidation subsequently being declared invalid (1) if the taxpayer determines to consider such liquidation valid for all purposes, including the treatment as a recovery by him for the purposes of section 127 (c) of any recovery with respect to the assets and rights to assets distributed to him, and (2) if such determination is evidenced by a statement accompanying the return, as part thereof, in which the taxpayer not only states his determination but also waives the benefits of any period of limitation which would prevent the adjustment of his tax liability on account of the invalidity of the liquidation at any time at which the taxpayer should contend that the liquidation was invalid."

FROM WASHINGTON AHEAD OF THE NEWS

By CARLISLE BARGERON

The Wagner Act, widely advertised over these many New Deal years, as Labor's Magna Charter, is likely in for an overhauling at this new session of Congress. This would seem to be the inevitable outcome of the ruckus stirred up between the NLRB and the CIO on the one hand and the AFOL, on the other, in the Kaiser shipbuilding case. Neither labor organization wants the act opened up. The situation is that the CIO has profited from it at the expense of the AFOL, but the majority of the latter's high leadership are afraid that if it is opened up, its so-called good points would be destroyed along with the bad.

When the full implications of the Board's recently adopted policy become known, however, it is quite possible that both the CIO and the AFOL will be on the warpath, and would not offer as much resistance to an overhauling of the Act itself as they have in the past.

In the Kaiser dispute, probably the most serious spot on the war production horizon today—a dispute brought about by the Board's challenging the validity of the contracts which the shipbuilder has with the AFOL—it has been a case so far of the Board's going out of its way, seemingly, to aid the CIO in raiding the AFOL. But now, both CIO and AFOL are learning that the Board is contending that no contract entered into between an employer and an employes' organization is valid without the approval of the Board. It is contending that no employer may negotiate with a union until that union has been certified as the rightful bargaining agency, and furthermore, that no employer may enter into labor negotiations until he has employed at least 50% of those he intends to employ.

Thus another problem has been posed for the employer. Long before the New Deal came along, there were many employers who solved their labor problems by going along with the union from the beginning. If they were opening up a plant they went to the union at the outset and asked for so many machinists, so many boilermakers, so many electricians, etc. In this way they were able to calculate their labor costs.

This is apparently the policy Kaiser has pursued ever since his ramified engineering operations brought him to the need of skilled labor. His attitude has apparently been that he didn't want to have any labor uncertainties: sign up, right off the reel, know where he stood, and figure his costs accordingly. Members of the Board have been contending that he can't do this any longer. At least one of them has said that in his shipbuilding operations this calculating of costs should be of no particular concern to him as the Government pays the freight. Kaiser's lawyers have contended that it was utterly impossible for him to wait until he had a 50%

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THE FINANCIAL SITUATION

From the day-dreaming Vice-President to the ordinarily much more practical-minded Secretary of State, men in both public and private life have got into the habit of drawing strange conclusions from the full employment that the war effort has brought forth. The rank and file will, we are repeatedly told, see in this "achievement" an indication of what can be done by united effort, and demand that as much be provided in the years which follow the war. The Secretary of State, while of the opinion that the needs of peace should be no less compelling than those of war, has the understanding at least to add that the means of meeting them may be different, but many of those who are constantly harping upon the "absolute necessity" of full employment after the war are apparently not inclined to place a great deal of emphasis upon the means to the end. Others, particularly perhaps certain groups in the business community who apparently fear an abrupt end to our way of life if unemployment in substantial amount reappears after the cessation of hostilities, are quite vague as to how full employment is to be provided.

The Question

In the minds of thoughtful observers this current discussion of employment after the war raises a question which lies at the root of our post-war fate. It is this: Will submission to the multiplicity of controls and restrictions of the war years—added as they are to a great many which had found their way into our life prior to our entry into the war—become a fixed habit on part of the rank and file? Will they presently become reconciled to an existence in perpetuity of regimented dependence upon government? Will they be content henceforth to wait like cattle to be fed? Or will the hardships, the bungling, the annoyances of the war years give them their fill of having a fatherly national government tell them what they must and what they must not do? Will they find themselves presently with less faith in their government than they have in themselves? Will events of the war years engender a determination to return to the traditional American system under which not government but the individual himself assumes responsibility for his own welfare?

Find a clear answer to this question, and you will have a vivid picture of what the post-war situation will develop in this country. If the millions of soldiers and sailors

(Continued on page 66)

Mechanisms?

The dream of Woodrow Wilson failed not only because of the refusal of Americans to shoulder certain international duties but also because the Allied nations, while they fought, had not developed a mechanism of working together that would survive after the fighting was over. Successful instruments of either national or international government are the result of growth. They cannot be created in a day. Nor is there much hope of their being created amid the reawakened nationalistic impulses, the self-seeking, the moral degenerations and the economic and social dislocations that are always incident to a post-war period. They must be created now while we fight. They must be made workable and smooth running under the emery of day-to-day effort in the solution of common problems.—Wendell L. Willkie.

Can Mr. Willkie suppose that a new heaven and a new earth can be created by any sort of "mechanism"?

Not only Mr. Willkie but many others have appeared of late to suppose something of the sort.

Great and bitter disappointment is in store for all those who insist upon looking at world problems through such strange lenses.

THE FINANCIAL SITUATION

(Continued from first page)

returning to private life and the other millions of war workers released from machines making planes, guns, tanks and the rest of the paraphernalia of war, start out upon the assumption that it is incumbent upon government to provide them with work, and otherwise to care for them through the years to come, we must, of course, expect government to respond with a torrent of crack-pot programs which can not fail ultimately to send the country and all of us in it into bankruptcy and ruin. If, on the other hand, war experience has led the people to prefer to work out their own salvation, indeed convinced them that they must take their destinies into their own hands if they are to make definite and lasting headway in this world, then there should be no trouble in putting government in its place and starting out to rebuild a shattered world and the fortunes of us all.

Beyond Government

If the war does not teach us this fundamental lesson it will be useless to expect better things in the years which must elapse until we do learn it. Whatever we may have been able to do in the way of "providing employment" during the war when "distribution" goods manufactured was guaranteed in advance, when millions of men were required for wholly non-productive work, and when perforce the nation was driving itself to the verge of bankruptcy to save itself from a worse fate, no government on earth, least of all the type of government common in this country, could rationally hope for a moment to be able so to order the peace time course of economic affairs that we should all obtain a more abundant life—indeed to order it so that we should escape disaster. After all, the goal of business enterprise is not to "give employment"—else the task would be simple indeed—but to produce an abundance of the goods and services which the rank and file of the people want and are willing to work (pay) for.

Once, however, we as a people have made up our mind to take our business affairs into our own hands, the situation becomes wholly different. Then the ordinary, familiar natural economic forces again come into full play. Then the task of each business man will be not to concoct some over-all panacea or to endeavor to find some new and strange magic by which to make the wheels of industry whir, but to get to work as quickly as may be to satisfy the wants he knows exist all about him, and to do so in a way that will yield him a profit. Then it becomes the task of each employee, or would-be employee, not to send emissaries to Washington seeking help, but to put his shoulder to the wheel and start the machinery of production moving. When attention is centered upon these matters, and effort is made in good faith, the apparent need of panaceas will quickly disappear--and we shall once again be on the road to prosperity and abiding economic improvement.

Difficulties Surmountable

The war must, of necessity, leave us and the rest of the world with problems aplenty. Many of them will be difficult. The road back to normal living will not be easy. There will, however, be no impediment to progress which hard, consistent and intelligent work in the offices and at the benches of industry will not solve in time. There will be few, if any, which will really yield to any other type of treatment, certainly not any other type of treatment which is not accompanied by hard, earnest, efficient work on the part of every one in the land. That work, moreover, must be directed to the production of goods and services which have tangible worth, not to the output of all sorts of boondoggles which have little or no value to any one.

It is the apparent absence of realization of these simple truths in the post-war planning now being done in so many quarters which is most disturbing to us. In these programs and suggestions the assumption usually appears to be either (1) that the end and aim of industry is to give employment, or (2) that the rise of unemployment after the war would result in destruction of our economic and social system by violence or the equivalent of it. The type of post-war planning that we need is planning by business of its own post-war affairs. Of course, it is true that much difficulty attends this kind of planning at the moment, since no one can say when the war will end or what the conditions will be when it does end. It is likewise true that this sort of planning is not likely to find reflection in the press or in public addresses. Some of it is proceeding. Its volume appears to be increasing and doubtless will continue to increase.

Let Us Have More Of It

We must have more of it. It is the only kind of planning which is likely to be particularly helpful. The best contribution any enterprise can make to post-war welfare is to do whatever lies within its power to work out its own program for the post-war era in advance and be ready when the time comes to proceed with dispatch and vigor—not so much to give employment as to provide the goods which will be demanded by the people of the world. What business men can do otherwise is another and less important matter—except so far as it lies within their power to inculcate the principles of self reliance which must rule in the post-war world if real progress is to be made.

There is ample room for post-war planning—but if it is to succeed it must be based upon the assumption of really free enterprise and individual self-reliance. It should begin with an effort to get the government out of the planning business.

The State Of Trade

The weekly figures of the heavy industries showed declines generally, but there were no spectacular showings and compared with last year gains, are holding at high levels. Production of electricity in the week ended Dec. 26 was 3,675,000,000 kilowatt-hours compared with 3,975,873,000 in the preceding week and an increase of 13.6% over the 1941 week, according to an estimate by the Edison Electric Institute.

Engineering construction volume for the short week, due to the early closing for the New Year's holiday, totals $76,295,000, a gain of 129% over the short preceding week and 39% above the week ending Jan. 1, 1942, according to "Engineering News-Record."

Private volume is almost six times that of the preceding week out is 12% under the opening 1942 week's total. Public work tops a week ago by 123% and is 42% above a year ago as a result of the respective 111 and 98% increases in Federal work.

For the 53 weeks of 1942, the $9,305,829,000 total compares with $5,868,699,000 for the 52 weeks of 1941, a rise of 56% when adjusted for the difference in the number of weeks reported. Private work, $555,823,000, is 54% below a year ago on the weekly average basis, out public, $8,750,006,000, is 83% higher due to the 131% climb in Federal construction.

Car loadings of revenue freight for the week ended Dec. 26 totaled 591,595 cars, according to reports filed by the railroads with the Association of American Railroads. This was a decrease of 151,316 cars from the preceding week, 14,907 cars fewer than the corresponding week in 1941, and 46,288 cars above the same period two years ago.

This total was 118.44% of average loadings for the corresponding week of the 10 preceding years.

The steel industry is set to accomplish goals that seemed fantastic a year ago and is entering a year scheduled to see the greatest expansion in capacity ever attempted, the magazine "Steel" says in its recent survey.

The program for 1943 includes an increase of 6,833,000 tons of steel ingots over the capacity in December. This is a growth of 10,290,000 tons over January, 1942.

Blast furnace capacity will rise to 70,850,000 tons by the end of August under present plans against 64,440,000 tons at the end of December, 1942, an increase of 6,410,000 tons.

However, shortages of manpower in the metal-working industry will become "a major wartime headache" early in 1943, according to "Iron Age."

Most steel centers up to now, says the review, have reported an ample labor supply, the relatively low amount of overtime supporting a belief that manpower in such areas was sufficient to do the job. This week, however, Youngstown, Ohio, found its labor controlled under a stabilization plan intended to promote orderly recruiting and transfer of workers from nonessential to essential industries.

The reason for the "stabilizing" was a constantly growing shortage. At midweek this was estimated at above 5,000 men with 27 larger war plants in that area alone in need of approximately 2,500 men.

Although retail trade went into its usual post-Christmas decline this week, sales were 2 to 6% higher than in the comparable 1941 week, according to Dun & Bradstreet, Inc.

Department-store sales on a country-wide basis showed an increase of 15% for the week ended Dec. 26, compared with the corresponding 1941 period, according to the Federal Reserve System. The weekly figures showed store sales up 13% for the four-week period ended Dec. 26, compared with the previous year. The increase for the year was 11%.

Department-store sales in New York City in the week ended Dec. 26 were 11% better than in the like week a year ago, and in four weeks ended Dec. 26 increased 6% over the corresponding 1941 period, the New York Federal Reserve Bank reported.

The most certain prophecy that can be made for 1943 is that every American will be called upon to do more to help win the war, says National City Bank of New York in its current monthly letter.

"Many will be called into the armed forces," the bank says. "Others will have to pay more taxes, buy more Government bonds, do more war work in factories and on farms, and go without more of the goods and services to which they have been accustomed. Business will be concentrated increasingly in the war effort; it will be subject to continuous and rigorous Government regulation; and where supplies of materials, manpower or other essentials for production and distribution are insufficient for every one civilian business and civilian consumption will be required to give way, as they are now doing, to war needs."

"It can be predicted with every assurance," the bank says, "that war production will rise more than total production and that in the aggregate less will be turned out for civilian use." "The cut in production of civilian goods in 1942 has been most pronounced in the second half of the year," the bank continues, "and the contraction of retail trade which it will eventually cause has been deferred by previous inventory accumulations. It all means that consumers in 1943 will be more dependent on current production, and general retail trade will be 12% smaller, according to the Department of Commerce."

Morgenthau Opposes Advance Time Buying

Secretary of Treasury Morgenthau on Dec. 28 expressed opposition, it is stated, to the Nugent proposal for advance installment buying of consumer goods for post-war delivery. The Secretary told his press conference that he could see no advantage over the present war-bond program and that the plan would give people at home an unfair advantage over men on the battle fronts.

Associated Press Washington advices, in reporting this, added:

"Mentioning the proposal of Rolf Nugent, OPA official, Mr. Morgenthau said it would leave men in the armed forces 'out in the cold' while permitting people at home to build up priorities in a variety of goods for the post-war use.

"Asserting this was 'the most important reason why I'm against it,' Mr. Morgenthau said he could not see the justice of a program which would operate in favor of people 'earning big salaries at home' while men in the armed forces 'earning $50 a month could not get in on it.'

"Mr. Nugent's proposal would establish a system of priorities on durable goods such as automobiles and refrigerators, on which people could begin paying now for delivery in the post-war era."

Calls For Rededication To Unity For Victory

Secretary of State Hull on Dec. 24 wished Americans a "Christmas of supreme confidence" in victory and expressed the hope that the "burdens and sacrifices of today will bring mankind a brighter and nobler tomorrow." His message said:

"This second Christmas since an armed attack was launched against our country is an occasion for all of us to rededicate ourselves fervently to a unity of purpose and to unremitting effort in the accomplishment of the two great tasks which are still before us: to overthrow as speedily as possible, the forces of evil, now on the defensive but still formidably arrayed against us; and to make this world of ours truly worthy of the inspiring light which came to mankind when the Prince of Peace was born.

"May I wish all a Christmas of supreme confidence that we shall defeat and destroy the forces seeking to conquer and enslave us, and that the burdens and sacrifices of today will bring mankind a brighter and nobler tomorrow."

Iden Industrial Editor Of Nat'l Affairs Bureau

V. Gilmore Iden has resigned as Secretary of the American Institute of Steel Construction, New York City, in order to accept the position of Industrial Editor of the Bureau of National Affairs, Washington. David Lawrence, Washington correspondent and editor of the "United States News," is President of the Bureau of National Affairs. The announcement from the American Institute of Steel Construction says:

"In 1926 Mr. Iden went to Washington as associate editor of the 'United States Daily.' Two years later he accepted an invitation to take over the public relations work of the American Institute of Steel Construction and in 1933 he became Secretary of the Institute. He is the author of various financial and economical works and is a member of the American Trade Association Executives, the American Marketing Association, the National Press Club of Washington, and the Engineers' Club of New York."

Items About Banks, Trust Companies

The statement of the Chase National Bank of New York for Dec. 31, 1942, made public Jan. 5, shows deposits at the end of the year as $4,291,467,000, the largest deposit figure yet reported by the bank, which compares with $3,628,466,000 on Sept. 30, 1942, and $3,534,967,000 on Dec. 31, 1941. Total resources on Dec. 31 amounted to $4,569,496,000 compared with $3,899,956,000 on Sept. 30, 1942, and $3,811,803,000 on Dec. 31, 1941; cash in the bank's vaults and on deposit with the Federal Reserve Bank and other banks totaled $1,132,553,000, compared with $945,679,000 and $1,248,516,000 on the respective dates; investments in U. S. Government securities, $2.327,748,000 compared with $1,796,736,000 and $1,364,847,000; loans and discounts, $786,057,000 compared with $808,540,000 and $802,221,000.

On Dec. 31, 1942, the capital of the bank was $100,270,000 and the surplus $100,270,000, both amounts unchanged. After declaration on Dec. 23 of a semi-annual dividend to be paid Feb. 1 amounting to $5,180,000, the undivided profits account on Dec. 31 amounted to $45,049,000. This amount compares with $44,109,000 on Sept. 30, 1942, and $40,370,000 on Dec. 31, 1941. The net earnings of the Chase National Bank for the year 1942 amounted to $15,040,000, or $2.03 per share, compared with $14,518,000, or $1.96 per share, in 1941.

The statement of condition of the Guaranty Trust Co. of New York as of Dec. 31, 1942, shows total resources and deposits at their highest points in the company's history. Total resources are $2,995,498,622, as compared with $2,558,587,698 a year ago, and with the previous high total of $2,813,930,185 as of March 31, 1941. Deposits are $2,698,262,180, as compared with $2,259,895,401 a year ago and with the previous high figure of $2,520,172,054 as of March 31, 1941. The current statement shows holdings of U. S. Government obligations of $1,692,372,868, the highest figure to date, comparing with $1,018,486,211 a year ago. The company's capital and surplus remain unchanged at $90,000,000 and $170,000,000, respectively, and undivided profits total $22,547,059, compared with $19,470,857 a year ago.

The condensed statement of condition of the National City Bank of New York as of Dec. 31, 1942, shows total resources of $3,761,671,281 and total deposits of $3,555,940,023. These figures compare respectively with $3,082,860,582 and $2,878,821,222 at the previous year-end. Cash and due from banks Dec. 31 was $901,172,805, a decrease of $83,988,259 from a year ago; holdings of U. S. Government obligations and obligations of other Federal agencies total $2,028,782,127, an increase of $845,482,328, and loans, discounts and bankers' acceptances amounted to $573,450,840, a decrease of $45,359,733. On Dec. 31, 1942, the capital and surplus of the bank was $77,500,000 each, both amounts unchanged. Undivided profits at $23,793,450 show an increase of $5,902,357 for the year.

The City Bank Farmers Trust Co., affiliate of the National City Bank of New York, reports as of Dec. 31, 1942, total assets of $142,061,713 and deposits of $115,366,183, as compared with $111,944,327 and $85,206,274, respectively, on Sept. 30, 1942. Cash and due from banks amounted to $37,601,930, against $27,669,775 three months ago, while holdings of U. S. Government obligations and securities of other Federal agencies at the latest date totaled $85,560,974, as compared with $63,360,941. The trust company's capital and surplus remain unchanged at $10,000,000 each. Undivided profits also remain the same as three months ago, standing at $5,830,103,

J. P. Morgan & Co. Incorporated, New York, in its statement of condition as of Dec. 31, 1942, reports total resources of $711,885,162 and total deposits of $666,093,331, compared with $749,725,411 and $689,361,244 on Dec. 31, 1941. According to the current statement, cash on hand and due from banks amounts to $154,589,149, against $251,630,571 a year ago; U. S. Government securities (direct and fully guaranteed) to $426,826,911, compared with $356,023,513; State and municipal bonds and notes are now $22,582,297, against $33,993,423, and loans and bills purchased are shown as $79,607,408, compared with $63,918,203. The capital and surplus are unchanged from a year ago at $20,000,000 each, while the latest statement shows undivided profits of $1,817,508, compared with $1,214,541 on Dec. 31, 1941.

In its statement for Dec. 31, the Chemical Bank & Trust Co. of New York reported deposits of $1.199,430,404, the highest in the bank's history. This represents an increase of deposits of $185,320,540 over Dec. 31, 1941. Total assets of $1,289,983,863 also reached a new high and compare with $1,101,728,374 at the close of 1941. Cash on hand and due from banks amounted to $348,841,631, compared with $377,335,460; U. S. Government obligations to $536,810,141, against $321,211,478; bankers' acceptances and call loans to $54,397,121, against $34,218,090, and loans and discounts to $162,982,846, against $156,455,076. The bank further reports: "Capital remains unchanged at $20,000,000 but surplus shows an increase from $50,000,000 to $55,000,000, reflecting the transfer on Dec. 10 of $5,000,000 from undivided profits to surplus, the third such increase in the past six years. Undivided profits were $5,456,273 and, allowing for the above transfer, showed an increase for the year of $1,294,549 after the usual dividends of $3,600,000 ($1.80 per share). The indicated net earnings on the bank's 2,000,000 shares (par $10) amounted to $2.45 per share for 1942 as compared with $2.43 per share for the preceding year."

In its statement of condition as of Dec. 31, 1942, Bankers Trust Co., New York City, reports total deposits of $1,504,657,609 and total assets of $1,625,080,340, comparing, respectively, with $1,375,481,863 and $1,492,509,453 on Dec. 31, 1941. Cash and due from banks on Dec. 31 totaled $484,927,527, against $454,167,611 a year ago; U. S. Government securities to $711,606,351, compared with $585,614,943; loans and bills discounted, $336,522,340, against $318,846,790. The bank's capital and surplus are unchanged from a year ago at $25,000,000 and $50,000,000, respectively, while undivided profits are now listed at $40,171,789, compared with $36,203,466 on Dec. 31, 1941.

The statement of condition of Manufacturers Trust Co. of New York as of Dec. 31, 1942, shows deposits of $1,322,420,807 and resources of $1,419,495,4[illegible] which compare with $1,112,3[illegible] and $1,207,153,258 shown on Sept. 30, 1942. On Dec. 31, 1941, the respective figures were $984,004,718 and $1,080,505,867. Cash and due from banks is listed on Dec. 31 at $370,862,493, against $334,502,993 shown on Sept. 30 and $365,609,706 shown a year ago. U. S. Government securities stands at $635,564,410; three months ago it was $449,103,424 and one year ago it was $340,928,748. Loans, bills purchased and bankers' acceptances is now $300,378,843, which compares with $305,236,225 on Sept. 30 and $260,309,534 on Dec. 31 last year. Preferred stock is shown as $8,599,540, common as $32,998,440 and surplus and undivided profits as $44,898,302. Net earnings for the year 1942 will be reported in detail by the president at the annual stockholders' meeting to be held on Jan. 13.

The Corn Exchange Bank Trust Co., New York City, reported as of the close of business Dec. 31, 1942, total deposits and other liabilities of $532,798,687 and total resources of $568,935,217, compared with $435,683,292 and $471,141,443, respectively, on Dec. 31, 1941. Cash items now total $152,476,572, against $176,276,690; holdings of U. S. Government securities are reported as $324,312,363, against $188,807,523, and loans and discounts now at $37,035,467, compared with $31,177,256 at the end of 1941. Capital is unchanged from a year ago at $15,000,000, but surplus and undivided profits now stand at $21,136,530, as against $20,458,151 at the end of 1941.

According to the Dec. 31, 1942, statement of condition of the Public National Bank and Trust Co. of New York, total resources amounted to $265,365,952 and deposits totaled $243,398,918. This compares with resources of $209,515,670 and deposits of $187,299,297 at the end of 1941. Cash and due from banks in the current statement are given as $58,839,785, against $77,275,924 a year ago; loans and discounts amount to $63,961,035, compared with $72,361,738, and U. S. Government obligations to $130,495,243, against $44,690,148. Capital and surplus are unchanged from a year ago at $7,000,000 each, but undivided profits are listed at $4,598,773, as compared with $4,059,988 a year ago. The bank reported earnings for the full year 1942 of $2.85 per share, as compared with $3.29 per share for the year 1941.

The Dec. 31 statement of The Continental Bank & Trust Co. of New York shows that total resources have crossed the $100,000,000 mark for the first time in the bank's history. Total deposits, it is indicated, increased to $96,759,799 and total resources to $107,222,793 from $85,830,735 and $95,970,880, respectively, on Sept. 30. Loans and discounts of $31,390,318 compared with $36,292,866 on Sept. 30; cash and due from banks amounted to $27,701,725 against $27,311,115, and U. S. Government obligations increased to $33,367,977 from $15,734,419. Capital remains unchanged at $4,000,000 and surplus and undivided profits increased Dec. 31 to $4,770,157 from $4,664,323 on Sept. 30.

The Continental Bank & Trust Co. of New York announced on Jan. 2 the appointment of Paul A. Albus, Clyde W. Hiseler and John F. Hughes as Assistant Secretaries. Ralph Farrington, formerly in the loan department, has been appointed Assistant Trust Officer.

Statement of condition of Sterling National Bank & Trust Co. of New York at Dec. 31, 1942, reveals an increase in surplus of $250,000. Capital funds at the year-end aggregated $4,303,153, comprising $1,500,000 capital, $2,500,000 surplus and $303,153 undivided profits. These total funds represent an increase of $251,852 during the last quarter of 1942. The bank reports a record all-time high in total resources and deposits—$72,301,206 and $67,090,997 on Dec. 31, 1942, as compared with $51,573,559 and $46,255,914, respectively, as of Sept. 30, 1942. Of the December total deposits of $67.090,997, U. S. Government deposits amounted to $14,894,284, and commercial and other deposits were at the record high of $52,196,712. Cash and due from banks amounted to $18,370,692 on Dec. 31, 1942, against $13,850,919 on Sept. 30, 1942; U. S. Government securities were $32,379,322, against $10,598,826; State, municipal and corporate securities $2,019,705, against $1,533,266; loans and discounts $18,935,384, against $24,964,054. Stock in Federal Reserve Bank increased during the quarter from $112,500 to $120,000. Reserves totaled $547,633, as compared with $790,080 on Sept. 30, 1942.

At a meeting of the Board of Directors of Sterling National Bank & Trust Co. of New York held on Dec. 31, the following promotions were made: Frank J. O'Leary, Assistant Vice-President; Louis Steinmuller, Assistant Cashier—both in the Queens Boulevard office; and Howard Grant, Assistant Cashier in the Broadway and 39th Street office.

J. Henry Schroder Banking Corp. reports total resources of $48,701,207 as of Dec. 31, 1942, against $48,718,622 on Sept. 30; cash and due from banks stand at $6,958,181, against $11,203,068; U. S. Government securities in the latest statement are shown as $27,053,924, against $22,429,452; customers' liability on acceptances (less anticipations) $5,157,487 Dec. 31, compared with $6,067,631 in September. Surplus and undivided profits have risen to $2,607,781 from $2,601,543 in the September quarter; amount due customers was $34,342,911, against $33,653,261. Acceptances outstanding now at $6,132,841, compared with $6,800,860.

Schroder Trust Co. reported Dec. 31 resources of $29,321,624, compared with $27,321,378 in September; cash and due from banks $6,303,063, against $6,686,683; U. S. Government securities $15,531,440, against $12,850,163; loans and discounts $4,332,208, against $4,550,074. Surplus and undivided profits were $1,871,377, against $1,866,679. Deposits were $25,726,851, against $23,795,008.

Fulton Trust Co. of New York reports total deposits of $30,804,814 and total assets of $36,032,884 in its statement of Dec. 31, 1942, compared with deposits of $29,593,181 and assets of $34,797,648 on Dec. 31, 1941. Cash, U. S. Government securities and demand loans secured by collateral amounted to $31,002,532, against $27,401,247 a year ago. State and municipal bonds on Dec. 31, 1942, were $1,067,677, compared with $3,073,627; time loans secured by collateral were $992,689, against $838,427 on Dec. 31, 1941. Capital, surplus and undivided profits, after dividend, amounted to $4,962,721 on Dec. 31, 1942, compared with $4,933,845 on Dec. 31, 1941.

The statement of condition of Clinton Trust Co. of New York as of Dec. 31, 1942, shows that total assets increased to $13,804,381 from $13,211,912 as of Sept. 30, 1942, and $11,269,628 on Dec. 31, 1941. Deposits of the bank were $12,634,000 on Dec. 31, 1942, compared with $11,981,035 on Sept. 30, 1942, and $10,121,722 a year ago. Surplus and undivided profits totaled $417,350, against $408,000 at Sept. 30 and $385,000 on Dec. 31, 1941. Capital stock of the bank remains unchanged at $600,000, while capital notes are $50,000, compared with the same amount on Sept. 30, 1942, and with $75,000 a year ago. Loans and discounts totaled $2,596,996 on Dec. 31, 1942, against $2,743,715 on Sept. 30 and $2,911,583 on Dec. 31, 1941. Other asset items compare as follows with the figures for three months ago and a year ago: Cash on hand and due from banks $3,667,592, against $3,764.417 and $3,462,227; investments in bonds $7,064,885, against $6,156,581 and $4,392,909.

The Seamen's Bank for Savings in the City of New York has received authorization from the State Banking Department to open a branch office at 20 East 45th Street. The filing of this application with the Department was noted in our issue of Dec. 17, page 2176.

The Manhattan Savings Bank, 754 Broadway, New York City, has received permission from the State Banking Department to move its branch office at 644 Broadway to 19 West 48th Street.

The statement of condition of the Irving Trust Co., New York City, as of Dec. 31, 1942, shows total assets of $1,040,271,353 and total deposits of $928,493,534, against $907,956,196 and $795,276,592 on Dec. 31, 1941. Cash in hand and due from Federal Reserve and other banks is now reported at $243,074,442, against $357,696,816; holdings of U. S. Government securities total $572,672,196, as compared with $289,808,033, and loans and discounts are shown as $184,902,150, against $211,697,744 at the close of last year. Capital stock is unchanged from a year ago at $50,000,000, but surplus and undivided profits now stand at $54,906,526, as compared with $54,193,575 on Dec. 31, 1941.

New high records for total assets and deposits are reported by Brown Brothers Harriman & Co., private bankers, in their financial statement of Dec. 31, 1942. Total assets amounted to $163,742,348 compared with $157,274,662 on Sept. 30, 1942 and with $157,643,704 on Dec. 31, 1941. Deposits increased to $143,686,578 compared with $136,102,334 on Sept. 30, 1942 and $133,722,124 at the close of the preceding year. Capital and surplus of $13,445,284 compared with $13,426,165 three months ago and $13,365,284 a year ago. Loans and advances were $25,874,629 against $28,186,998 on Sept. 30, 1942 and $30,113,560 on Dec. 31, 1941. Other important asset items compare as follows with the figures for three months ago and a year ago: Cash, $37,455,406 against $37,268,543 and $41,291,083, respectively; United States Government securities (valued at lower of cost or market), $67,329,281 against $59,654,231 and $51,535,932; marketable bonds and stocks (valued at lower of cost or market), $13,078,218 against $13,901,250 and $13,287,282.

The New York Trust Co., New York City, reported as of the close of business Dec. 31, 1942 that total assets increased to $673,169,484 from $580,838,746 at the end of 1941, while deposits advanced to $628,777,301 from $537,081,903. Cash items amount to $172,148,077, as against $218,783,283 a year ago; United States Government obligations (direct and guaranteed) at $326,995,937, as compared with $196,596,510, and loans and discounts at $140,601,229, against $134,157,858. The bank's capital and surplus are unchanged from a year ago, remaining at $12,500,000 and $25,000,000, respectively, while undivided profits total $4,532,434, as compared with $3,383,773 at the close of 1941.

The statement of condition of the United States Trust Company of New York as of Dec. 31, 1942, shows total deposits of $108,662,286 and total assets of $140,961,910, as compared with $131,371,606 and $164,484,301, respectively, on Dec. 31, 1941. Cash in banks amounts to $30,967,709, against $67,112,066; holdings of United States Government obligations to $70,758,425, compared with $38,063,000; while loans and bills purchased totaled $20,566,461, against $32,787,914. Capital and surplus are unchanged at $2,000.000 and

(Continued on page 80)

Raw Materials For Allies From N. Africa

The Combined Raw Materials Board in Washington announced on Dec. 27 that the raw materials made available to the United Nations, "with French cooperation," in North Africa have been allocated to the United States and Great Britain. According to United Press Washington advices, manganese, cobalt ore and cork will be sent to the United States, while the supply of iron ore and pyrites, phosphate rock and superphosphates, zinc ore and concentrates and lead bullion and ore will go to the United Kingdom. In each case the allocations apply to supplies available for export to the two countries after local needs have been met.

United Press Washington advices further reported:

"The most important raw materials available in North Africa are phosphate rock and iron ore. French North Africa stands second only to the United States as the largest producer of phosphate rock, with an average pre-war production of more than 3,000,000 tons annually, but shipments of phosphate rock and iron ore to the United Kingdom in 1943 are expected to be considerably less.

"The United Staes has a sufficient supply of phosphate rock and iron ore, but Great Britain needs iron ore for its steel industry and phosphates to expand its agricultural program which already has increased its food production from 40 to 60% of its total needs.

"French North African production of other raw materials is small in relation to the available United Nations supply, with the exception of cork, of which Algeria normally produces one-fifth of the world's supply.

"Average production in French North Africa of these materials has been as follows: Cobalt, 5,000 tons; lead, 46,000 tons; manganese, 40,000 tons; zinc ore and concentrates, 34,000 tons; and cork, 46,000 tons.

Fed. Report Services Will Be Coordinated

President Roosevelt has signed the bill designed to coordinate Federal reporting services, to eliminate duplication and reduce the cost of such services, and to minimize the burdens of furnishing reports and information to Governmental agencies.

Under the legislation, the Director of the Bureau of the Budget will determine the needs for information, the methods to be employed in obtaining it, and to coordinate it so it would be of value to any Governmental agency needing it. This latter provision is designed to avoid several agencies seeking similar information in separate questionnaires.

The legislation exempts from approval by the Budget Bureau certain questionnaires customarily submitted by established Government offices, such as those prepared by the Bureau of Internal Revenue, the Comptroller of the Currency and the Federal bank supervisory agencies.

The measure passed the Senate on Nov. 23 and the House in amended form on Nov. 27. A conference report on the bill was approved by the House on Dec. 10 and the Senate on Dec. 11.

In advices Dec. 17 to the New York "Journal of Commerce" from its Washington bureau, it was stated that the Senate Small Business Committee said that the bill, styled the "Federal Reports Act of 1942," will be considered by smaller business men as "one of the most welcome pieces of legislation to pass the 77th Congress." In part, these advices said:

"It is intended to eliminate the terrific burden imposed upon the business men of the country, and especially small business men, by the requirements of the Government for special reports of many kinds and types. As a result of this legislation, no Federal agency, except those specifically exempted, may solicit the same general information in the form of questionnaires, report forms, or similar methods, from ten or more persons or concerns without first submitting such forms or questionnaires to the Director of the Budget for approval. The director has the authority to reduce the number of questions on the questionnaire or he may direct that information be obtained from any other Federal agency which has the information available."

CIO Has Program For Total Mobilization

The Congress of Industrial Organizations on Dec. 20 presented to Paul V. McNutt, Chairman of the War Manpower Commission, a seven-point program for total mobilization. In a letter to Mr. McNutt, Philip Murray, C. I. O. President, proposed "complete correlation of the activities of those agencies which have jurisdiction over procurement, the issuance of contracts and disposition of raw materials with those of the Manpower Commission."

The other points of the program called for:

"Full use of all available manpower, such as women, Negroes, and all racial groups.

"Adequate protection for workers whose right to leave particular jobs or areas is restricted.

"Protection for workers transferred from one job or area to another.

Labor participation in questions of drafting workers from war jobs to the armed forces.

"Expansion of the United States Employment Service and labor participation in its operation.

"National minimum standards of social security for all workers."

Concerning correlation of procurement, contracting and disposition of raw materials in relation to manpower, Mr. Murray said:

"It would be futile to continue the haphazard method of having the contracting agency issue contracts so as to create crises in manpower and seek to utilize the manpower commission solely as a fire department squad to meet those continuing crises. Contracts and available material must be correlated with the manpower requirements and supply. Total mobilization cannot be restricted to manpower, but must embrace mobilization of material resources as well."

Estimates Manpower Needs At 65,000,000

Paul V. McNutt, Chairman of the War Manower Commission, estimated on Dec. 29 that 65,000,000 persons will be needed in all types of gainful employment and in the armed services by the end of 1943. These estimates, according to the Associated Press, added 2,500,000 to previous official forecasts that the total required would be 62,500,000, Mr. McNutt explaining that this was attributable to "the needs of agriculture, lend-lease and supplying our own armed forces." The estimate that 20,000,000 would be needed in war industry alone remained about the same.

Chairman McNutt said that during 1942 the number of persons engaged in war industry had grown from 6,900,000 to 17,500,000 while the number in non-war industry had dropped from 29,200,000 to 21,000,000.

AFL Names Group For Post-War Planning

A post-war planning committee of the American Federation of Labor was created on Dec. 26 by William Green, President of the A. F. of L., to draft a program designed to meet the emergencies that will be faced when the war is over. The group was directed to work on the following four-point program, the Associated Press reported:

"1. Plans for labor representation in the peace conferences.

"2. Specific proposals which the labor representatives would ask to have incorporated in the peace treaty.

"3. A program of post-war reconstruction to prevent a disastrous depression.

"4. Expansion of social, economic and political security for this country and the peoples of all lands.."

Authorized by the last convention of the A. F. of L. to appoint such a committee, Mr. Green named as its Chairman, Matthew Woll, A. F. of L. Vice-President, and the following members: David Dubinsky, President of the International Ladies' Garment Workers; Miss Agnes Nestor, Director of Research for the International Glove Workers' Union; Dr. John Childs of Columbia University, representing the American Federation of Teachers; Harvey Brown, President of the International Brotherhood of Machinists; George M. Harrison, President of the Brotherhood of Railway Mail Clerks; Richard Gray, Secretary of the Bricklayers, Masons and Plasterers Union; Rubin Soderstrom, President of the Illinois State AFL; Milton P. Webster, Vice-President of the Brotherhood of Sleeping Car Porters.

Volunteer Enlistments Ban Eased Until Feb. 1

Until about Feb. 1, 1943, the Navy, Marine Corps and Coast Guard will obtain recruits among Selective Service registrants who volunteer for those services, Maj. Gen. Lewis B. Hershey, Director of the Selective Service Bureau of the War Manpower Commission, announced on Dec. 16. General Hershey stated that "Selective Service regulations are being amended to remove the former requirement that volunteers under 21 must furnish the local board with written consent of parents." The announcement added:

"Local boards will approve application for voluntary induction, if the registrant has not been deferred in the usual process of classification by the boards, under new instructions sent to the 6,500 local boards through the Selective Service system.

"Registrants volunteering for immediate induction into the Army will be forwarded to Army induction stations as soon as possible.

"By Feb. 1 it is anticipated that procedure will be established so that calls may be levied for all branches of the armed forces, under the President's Executive Order of Dec. 5, which terminated enlistment of men from 18 to 38 years of age. (Noted in these columns of Dec. 10, page 2065.)

"The Selective Service directive also specified that the armed services are free to enlist persons not in the 18-38 age bracket."

Lumber Movement—Week Ended Dec. 26, 1942

According to the National Lumber Manufacturers Association, lumber shipments of 414 mills reporting to the National Lumber Trade Barometer exceeded production by 26.0% for the holiday week ended Dec. 26, 1942. In the same week new orders of these mills were 26.2% greater than production. Unfilled order files in the reporting mills amounted to 80.7% of stocks. For reporting softwood mills, unfilled orders are equivalent to 40 days' production at the current rate, and gross stocks are equivalent to 46 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 12.9%; orders by 18.4%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 38% greater; shipments were 33% greater, and orders were 19% greater.

OPA Issues List Of Foods To Be Rationed

The processed foods to be rationed in February, as listed by the Office of Price Administration, were indicated as follows, in Associated Press accounts from Washington Dec. 27, according to the New York 'Times."

Canned and Bottled Fruits and Fruit Juices

Apples: including crabapples, applesauce, apricots, baby foods; berries, all varieties; cherries, red sour pitted; cherries, other cranberries and sauce; fruits for salad and fruit cocktail; grapefruit, grapefruit juice; grape juice, peaches, pears, pineapples, pineapple juice; all other canned and bottled fruits, fruit juices and combinations.

Canned and Bottled Vegetables and Vegetable Juices

Asparagus, baby foods; beans, fresh lima; beans, green and wax; beans, all canned and bottled dry varieties, including baked beans, soaked dry beans, pork and beans, kidney beans and lentils; beets, including pickled; carrots, corn, peas, sauerkraut, spinach, tomatoes, tomato catsup and chili sauce, tomato juice, all other tomato products; all other canned and bottled vegetables, vegetable juices and combinations.

Other Processed Foods

Canned soups, all types and varieties. Dried, dehydrated fruits; prunes, raisins, all others. Frozen fruits: cherries, peaches, strawberries, other berries, all other frozen fruits. Frozen vegetables; asparagus, beans, lima beans, green and wax; broccoli, corn, peas, spinach, all other frozen vegetables.

Items Not Included

Candied fruits, chili con carne, frozen fruits in containers over ten pounds, frozen vegetables in containers over ten pounds, fruit cakes, fruit juices in containers over one gallon, fruit puddings, jams, jellies, meat stews containing some vegetables, olives, paste products (such as spaghetti, macaroni, noodles) whether or not they are packed with added vegetable sauces, pickles, potato salad, preserves, relishes, vegetable juices in containers over one gallon.

Urges Cut In Magazine Use of Print Paper

A flat 10% reduction in the amount of print paper to be used by each magazine publisher in 1943 as compared with 1942 was recommended to the War Production Board by the Magazine Industry Advisory Committee at a meeting with officials of WPB's Printing and Publishing Division in Washington. The committee made no recommendation as to how the individual publisher might effect the reduction if the consumption of print paper is curtailed. Indicating this on Dec. 22, the WPB said:

"Reason for the committee's recommendation is that the pulp wood supply available for 1943 is estimated to be 20,000,000 cords in North America, including Canada. Current consumption is at the rate of approximately 25,000,000 cords annually. The cut in availability of wood, however, does not necessarily indicate a proportionate cut in the supply of print paper, because of the inventory situation and other factors.

"The action of the magazine committee was in line with a recommendation submitted to WPB on Dec. 10, by the Newspaper Industry Advisory Committee. This committee recommended that, with various modifications and the right of appeal, newspapers be limited during 1943 to the same amount of print paper they consumed in 1941.

A Safe Haven For Investment Funds

Individual investors, trustees and other* fiduciaries interested in becoming acquainted with the Federally insured investment opportunities offered by savings and loan associations should write for current explanatory literature to the associations mentioned below. When doing so please mention the "Chronicle."

- **American Savings & Loan Association**
  17 East First South Street, Salt Lake City, Utah
- **Atlanta Federal Savings & Loan Association**
  22 Marietta Street, Atlanta, Georgia—Write for free booklet, "A Safer and Better Plan."
- **Danielson Federal Savings and Loan Association**
  84 Main Street, Danielson, Conn.—Write for free booklet and information.
- **First Federal Savings & Loan Association**
  46 Pryor Street, N. E., Atlanta, Ga.
- **Hinsdale Federal Savings and Loan Association**
  8 East Hinsdale Avenue, Hinsdale, Ill.
- **Mid Kansas Federal Savings and Loan Association**
  25 East William Street, Wichita, Kans.
- **Mutual Building and Loan Association of Pasadena**
  38 South Los Robles Avenue, Pasadena, Calif.—Write for free booklet, "Profits and Prophecy."
- **Railroadmen's Federal Savings and Loan Association**
  21 Virginia Avenue, Indianapolis, Ind.
- **St. Paul Federal Savings and Loan Association**
  4 East Fourth Street, St. Paul, Minn.—Write for information.
- **San Francisco Federal Savings and Loan Association**
  705 Market Street, San Francisco, Calif.
- **Southland Federal Savings and Loan Association**
  9440 Wilshire Boulevard, Beverly Hills, Calif.
- **Standard Federal Savings and Loan Association**
  735 South Olive Street, Los Angeles, Calif.

*Guardians, insurance companies. State, school and municipal sinking funds, firemen's, police and other pension funds, etc.

Senator McCarran Urges Congress 'About Face' And Assume Rightful Dignity and Prerogatives

Senator McCarran (Dem., Nev.) urged on Dec. 26 that Congress "about face" and assume "the dignity and prerogatives that by law belong to it."

To achieve that aim, Senator McCarran, the Associated Press reports, suggested this three-point program for the 78th Congress, which convenes Jan. 6, to remedy three points of criticism which he made, as follows:

"An end to 'blank check' appropriations for any Executive Department of Government.

"Taxation by Congress alone, without interference by any other agency of Government.

"Restoration to the States of powers which have been taken over by the Federal Government."

The same advices indicated Senator McCarran as saying:

"This is going to be an unusual Congress, for it has heard a rumbling from the people," he said in an interview. "Congress should stand upon its own feet, take responsibility for its own actions and be what the Constitution intended it should be—government by representation of the people.

"We have all about us today subsidiary agencies that take to themselves the distinction of being the Government when as a matter of fact they are but employes of the Government."

Mr. McCarran said he did not think the Republican gains in November indicated that all progressive legislation would be "thrown into the discard."

"Progressive steps in Government do not belong to any particular group," he said. "They are growing and continuing things that come out of popular demand and popular necessity that no democratic government can be deaf to. Hence no fear should be entertained because of the increase in membership of one party or another."

Need Continues For War Materials Inspectors

Applications for Inspector positions in the Production Protective Service of the War Department continue to be accepted by the U. S. Civil Service Commission, says advices Dec. 22 from the U. S. Civil Service Commission at Washington, which further states:

"The positions are extremely important to the war effort, as the inspectors will function for the protection of some 6,500 major factories engaged in war work. The salaries for these Inspector positions range from $2,600 to $5,600 a year, but applications are particularly sought from persons who are qualified for and will accept the salaries of the grades from Junior Inspector at $2,600 to Senior Inspector at $3,800 a year.

"Inspectors will be responsible for making recommendations to prevent interruptions or delays in the production and delivery of all types of war material caused by major accidents, explosion or other hazards inherent in manufacturing plants. No written test will be given. Applicants will be rated on their education, experience and personal qualifications, as soon as possible after the applications are received at the U. S. Civil Service Commission, Washington, D. C.

"The requirements are: General experience in performing inspectional and professional engineering advisory services for manufacturers as inspector in a property insurance rating bureau, as plant protection supervisor or master mechanic in a large industrial establishment, or as professional engineer specializing in plant protection work. Appropriate college study may be substituted for part of the experience.

"Applications will be accepted until further notice, but qualified persons are urged to apply immediately unless they are already using their highest skills in war work. Announcements and applications may be obtained at any first- or second-class post office or from the U. S. Civil Service Commission in Washington, D. C. War Manpower restrictions on Federal appointments may also be consulted at these offices."

A previous item regarding the need for inspectors appeared in these columns Nov. 26, page 1901.

WPA Lists Accomplishments

The Work Projects Administration, taking inventory before liquidating, on Dec. 20, cited a long list of achievements as evidence that it has made substantial contributions to public welfare. According to United Press advices from Washington, WPA officials said the various work relief programs have produced the following:

"643,977 miles of improvements to roads and streets, including 566,322 miles of rural roads, 66,392 miles of urban streets and 11,263 miles of other roads, chiefly through parks.

"77,053 bridges and viaducts built, with 45,705 others reconstructed or improved.

"34,056 public buildings, not including utility plants and buildings at airports. The agencies also reconstructed or improved 83,170 public buildings.

"5,832 educational buildings, mostly libraries and schools; 8,579 recreational buildings and 1,626 auditoriums and gymnasiums.

"1,476 office and administration buildings, 202 hospitals, 172 penal institutions, 1,382 dormitories, 316 fire houses and 328 armories.

"2,272 stadiums, grandstands and bleachers; 51 fair grounds and rodeo grounds; 1,650 parks, 3,036 playgrounds, 2,980 athletic fields, 9,971 tennis courts, 791 swimming pools, 1,098 ice skating areas, 228 bandshells, 136 outdoor theaters and 249 golf courses.

"Public utilities and sanitation projects, including 46 electric power plants, 132 incinerator plants, 1,298 pumping stations, 944 sewage treatment plants, 249 water treatment plants, water mains and distribution lines, reservoirs, storm and sanitary sewers, police, fire alarm and traffic signal systems and electric power lines.

"Hundreds of flood and erosion control, irrigation and conservation projects.

"Airport and airway facilities, including 285 new landing fields and 1,139 airport buildings."

President Roosevelt's order to the WPA to liquidate was reported in these columns Dec. 17, page 2169.

Authority To Conduct Senate Inquiries To End January 31

All authority conferred by Senate resolutions authorizing inquiries and investigations will terminate at the end of January, 1943, under terms of a resolution passed by the Senate on Dec. 15.

Chairman Lucas (Dem., Ill.) of the Committee to Audit and Control the Contingent Expenses of the Senate, said he believed the new Senate should decide for itself which investigations should continue.

It is estimated the resolution affects 29 investigations by standing committees and 16 by special committees.

Realty Ass'n Teaching Property Management

A national course in property management to meet unprecedented problems of real estate management arising through the exigencies of war has been announced by the Institute of Real Estate Management, a division of the National Association of Real Estate Boards. The course will start Feb. 15, and will be held at the Wardman Park Hotel in Washington, D. C. The Association's announcement states:

"The course will deal in the most practical way with war-period complications in the administration of property. These arise, for example, from rent control, from restrictions affecting maintenance and repairs, from air-raid regulations, fuel oil regulations, from war's absorption of manpower, and from the tremendous wartime changes in market outlook, arising for commercial properties from retailers' inability to get goods, and for residential properties by reason of income changes and population changes.

"Designed to take account of new real estate management as, for example, that arising in war housing built and owned by the government, the course will consist of 28 morning and afternoon lectures, crowded into six days. Lecturers well known in the real estate field all over the country, will be James C. Downs, Jr., Chicago, who will be dean of the course, and Lester E. Frailey, Columbus, analyst of business method and co-author of "Fundamentals of Real Estate Practice," a course in real estate developed by the National Association of Real Estate Boards for its member boards.

"Heads of a number of governmental agencies whose work directly affects real estate, will lead the discussions involving current Federal action affecting management problems, to which 12 lecture periods will be given. Eighteen lectures will deal with principles and techniques in real estate management. The course is open to all interested in real estate management.

"The committee, under which material for the course is being prepared, includes Robert C. Nordblom, Boston, President of the Institute; H. P. Holmes, Detroit, and James C. Downs, Jr."

Phila. "Inquirer" Raises Price of Sunday Edition

It was made known on Dec. 18 that the price of the Sunday edition of the Philadelphia "Inquirer" would be increased to 12 cents a copy at news stands and home delivery, effective Sunday, Dec. 20. Stating that "the tremendous increase in production and distribution costs makes this price change necessary," the "Inquirer" in its Dec. 18 issue said:

"The increase is being shared equitably with newsboys, newsdealers and carriers.

"This is the first increase in the price of the Sunday 'Inquirer' in more than 22 years. During this period the quality of the 'Inquirer' has been greatly improved, and scores of news features, several additional sections, and many, many pages of reading matter have been added.

"The Sunday 'Inquirer' now has more features, more news, more pictures and more comics than it ever had in its entire history.

"Throughout the country rising costs have caused more than half the daily newspapers in the United States to raise at least some portion of their circulation rate since the start of the war in 1939, a recent survey revealed.

"The 'Inquirer,' like many other newspapers, has been faced with the choice of lowering the quality of the product or increasing the price. To lower the quality of the product is contrary to all the ideals of the ownership of the 'Inquirer,' and this newspaper therefor is asking its readers to share the added cost to the extent of this price increase.

"In addition to its expanded news sections, its large and beautifully illustrated society and amusement sections and its sports news section, the Sunday 'Inquirer' will continue to include its three exclusive colorgravure supplements—Picture Parade, Everybody's Weekly and the Sunday novel—as well as the three large comic sections in full size and color."

President Greets U.S., Allied Armed Forces

President Roosevelt on Dec. 24 sent messages of Christmas greeting to the members of the nation's armed forces, to the ill and wounded of the armed services and to all the armed services and auxiliary services of our Allied nations.

In his greetings to the armed forces of the 28 United Nations, the Philippines, Ethiopia, the Fighting French and to Gen. Henri Giraud, commander of French forces with American troops in North Africa, Mr. Roosevelt said he was communicating with Allied forces at this time at the request of Congress in expression of that body's "deep and abiding sense of gratitude." The President's message, sent through the appropriate American diplomatic missions, was as follows:

"Struggling side by side against powerful foes, thousands upon thousands of soldiers of those nations large and small which are united in defense of freedom and justice and human rights face the holiday season far from home, across oceans or continents, in fields of desert sand or winter snow, in jungles or forests, on warships or merchant vessels, on island ramparts from Iceland to the Solomons, in the Old and New worlds.

"They strive to the limit of their strength without regard for the clock or the calendar, to hold the enemy in check and to push him back. They strike mighty blows and receive blows in return. They fight the good fight in order that they may win the victory which will bring to the world peace, freedom, and the advancement of human welfare.

"With a deep and abiding sense of gratitude, the Congress of the United States has, by a joint resolution, asked me to transmit, on behalf of the people of the United States, to the armed forces and auxiliary services of our Allies on land, on sea, and in the air, best wishes and greetings of the season to them and to their families and a fervent hope and prayer for a speedy and complete victory and a lasting peace.

"Accordingly, I shall be grateful to you if you will convey to your armed forces and auxiliary services, in the name of the Congress of the United States, in my own name, and in the name of the people of the United States, the cordial wishes and greetings and the hope and prayer expressed in the joint resolution."

Mr. Roosevelt's message to the men and women of the armed forces read as follow:

"Happily, the Star of Christmas again shines brightly in a world black with war and hate. Never has mankind yearned more for what that Star signifies—for peace and honor to men of goodwill. The way we must travel is yet long.

"As you go hopefully forward into the New Year you can be sustained by the thought that you have the most precious gift which is in the power of your countrymen to bestow — their affection and deep gratitude. To this I can only add my very warmest personal greetings to every one of you."

The President's message to the ill and wounded of the armed services follows:

"On this, another wartime Christmas, I would like to send you a personal message. We shall need your help when the war is won in the hard task of building a better and a freer world. It is fitting, therefore, that you who are younger shall be given the opportunity to fight for a better world in time of peace as you have fought to save this lesser world in time of war. God bless you and keep you, for you belong to us and to the future of America."

1943 War Program To Be $90 Billion

Donald M. Nelson, Chairman of the War Production Board, in a report on production progress in the first year of war, said on Dec. 17, "the grimmest fighting and the hardest work lie ahead of us."

Mr. Nelson said the over-all war program in 1943 will have to be intensified to do a "better than $90,000,000,000 war job." This compares with $52,500,000,000 spent for war in 1942 and $13,800,000,000 for defense in 1941.

From United Press Washington advices the following is also taken:

"He said the United States is making as many combat weapons today as the entire Axis, and the United Nations together are turning out twice as many weapons as the enemy. But he warned that 'we cannot win a war simply by equaling or even outproducing enemies.'

"Production for war alone in 1943 will have to equal the value of all the goods and services produced by the nation in its years of greatest prosperity, the report said. Attainment of this goal would mean that by the end of 1943, the United States would be out-producing the Axis two to one, and with its Allies would be out-producing the Axis three to one.

"Describing 1943 as 'the crucial year in the rubber situation,' the report added that America has 30,000,000 tire replacements—mostly old tires, retreads, and tires made of reclaimed rubber—to take the place of the 90,000,000 new tires which normally would have been consumed during 1942 and 1943.

"If the vast and ambitious synthetic rubber program is completely successful, and if the tires now on the road are carefully preserved, the United States will have defeated the rubber shortage by this time next year," the report said. "If not, the rubber shortage in terms of civilian transportation breakdown and a rubber-starved military machine may have defeated the United States."

The conversion of industry to war production ceased to be an important concern of the WPB by the fall of 1942 because "it was either achieved or well on the way to achievement," the report said.

Tribute To Brandeis

The U. S. Supreme Court on Dec. 21 paid tribute to the late Louis B. Brandeis, former Associate Justice. Among those who spoke at the ceremony in memory of Justice Brandeis were Chief Justice Harlan F. Stone, Attorney General Francis Biddle, Senator George W. Norris (Ind., Neb.), Federal Circuit Judge Calvert Magruder of Boston, Federal Circuit Judge Learned Hand of New York and Lloyd K. Garrison, Dean of the University of Wisconsin Law School. Solicitor-General Charles Fahy presided.

Justice Brandeis, the first Jew to serve on the Supreme Court, died on Oct. 5, 1941, at the age of 84. He retired from the court on Feb. 13, 1939, after serving since 1916.

His death was referred to in our issue of Oct. 9, 1941, page 526.

Private Funds For War Housing Financing Surveyed By Mortgage Bankers Association

There are plenty of private funds all over the country available for financing further war housing, according to the results of a survey announced Jan. 3 by the Mortgage Bankers Association of America. The advices in the matter state that "with a large majority of its members participating in the study, the results show that nearly 84% say there are plenty of private funds for financing FHA Title VI construction loans while only 16% said there was some scarcity of money in their communities." It is added that "as for permanent FHA Title VI financing, over 96% of the Association's members participating in the poll said ample funds were available while about 4% said they were not as far as their own communities were concerned."

Charles A. Mullenix, President of the Association, in announcing the results, said:

"These results, reflecting as they do, the opinions of those who represent the great bulk of the mortgage capital in the country, conclusively show that as far as financing of war housing goes, private funds are available in abundance to do the job. More than anything else, this means that the so-called 'public housers,' inside and outside Federal agencies, have absolutely no basis for contending that private funds are not sufficiently available for the full war housing job and that the time has come for public money to step in and complete it."

The survey was started in late November, after Mr. Mullenix had scored the "public housers" in an address in Cleveland and in two subsequent statements made after an Eastern investigation tour. At that time he said it seemed possible that the "public houser" element might use the present wartime emergency as an excuse for proposing a plan which would, in his opinion, mean the virtual "socialization of real estate financing entirely." He explained that the immediate excuse would probably be that private funds are slowly abandoning the war-housing field and the Government must step in.

In all seven geographical sections of the country, ample private funds are available, the survey indicates. As to the principal sources of these funds, insurance companies and banks and trust companies were far in the lead, although, as Mr. Mullenix pointed out, this is not a complete picture because it reflects very little of the present status of savings and loan associations. Very few of these institutions are Association members and hence their views are only slightly reflected in the data.

More Aid For Small Business Reported

The Smaller War Plants Division of the War Production Board reported on Dec. 17 that it placed 1.236 contracts for $22,500,000 in the Nov. 28-Dec. 12 period.

Prime contracts went to 176 concerns for $7,300,000, and more than 100 sub-contracting concerns will participate in them. Previously reported prime contracts obtained by the Division had numbered 58 and the value of such contracts was $21,000,000.

Contracts involving the use of critical tools totaled 1,060 for $15,200,000, bringing the total of such contracts placed to 2,637, involving $122,200,000.

Lou Holland, Chairman of the Smaller War Plants Corporation, revealed at a Congressional committee hearing on Dec. 15 that war production leaders have requested prime contractors to intensify greatly their efforts toward subcontracting.

Mr. Holland told a joint meeting of the Senate and House Small Business Committees that Undersecretary of War Robert P. Patterson, Undersecretary of the Navy James V. Forrestal and War Production Chief Donald M. Nelson had signed the directive, which "is but an initial step in a vigorous program to equalize the production load."

He acknowledged that the Smaller War Plants Corp. had not taken over any prime contracts for farming out to smaller concerns, although it has authority to do so.

The Smaller War Plants Division of the WPB already has engaged actively in promoting subcontracting, Mr. Holland said, and has been a large factor in the placing of subcontracts totalling $127,700,000 with 2,743 firms. He added, however, that since the Smaller War Plants Corp. was established by Congress last June to lend $150,000,000 to small plants seeking war work, only 18 loans totalling $2,000,000 have been approved.

Lieut. Gen. Brehon B. Somervell, Chief of the Army Service of Supply, told the Senate Small Business Committee recently that the Army's spreading of war contracts among small business has increased considerably.

Giving an accounting of procurement policies under his jurisdiction, Gen. Somervell testified that the smaller war plants increased their dollar volume share of War Department prime contracts 14% during November compared with September of this year. He further reported that the dollar volume of November prime contracts approved for plants employing less than 500 persons was about $550,228,000, of which about $209,408,000 was approved for plants employing less than 100 persons.

Of all prime contracts approved during November, Gen. Somervell said, 71.9% by number and 23.8% by dollar volume went to plants with fewer than 500 workers.

He emphasized that, in addition to prime contracts, small business frequently obtained subcontracts amounting to as much as 50% of the value of a prime contract awarded to big business.

Cut Rates For Auto Collision Insurance

The National Automobile Underwriters Association announced on Dec. 13 that automobile collision insurance premiums will be reduced 20% for cars using "A" ration books and 10% for those with "B" books. The reductions, retroactive to Dec. 1, apply to all new and renewal policies in 30 States, including New York, and will be extended to other States where approval of supervising authorities is required.

In indicating this, the New York "Herald Tribune" of Dec. 14 reported:

Louis H. Pink, Superintendent of the New York State Insurance Department, said that "prompt approval" will be given the reduction by this State's regulatory body.

"The reductions," Mr. Pink said, "are not scientific because there is no real data available on which to base the rates in accordance with a change of conditions under gasoline rationing. The new rates, we feel, are a fair effort on the part of the companies to adjust to conditions. As experience is gained they may be subject to further change."

Daytime accidents have shown a marked decrease in the State, Mr. Pink asserted, but night driving continues dangerous due to dimout hazards. The daytime collision decrease has, however, brought down the over-all accident rate.

Factors offsetting reduced mileage to some extent are higher repair costs, a general falling off of the automobile insurance business and increased operations costs, Mr. Pink pointed out.

The Association expressed the desire of its member companies to assist in the national movement to keep automobiles in use and help motorists whose mileage is reduced by gasoline rationing and the tire shortage to carry necessary insurance protection.

The Association reported a noticeable decrease in accidents in the 17 Eastern States which have been under gasoline rationing since last spring.

Yesterday's action was the third insurance reduction given motorists this fall. Two reductions were made in October in the liability rate, bringing the aggregate premium saving on that type of insurance to about 30% for restricted passenger cars.

Mr. Pink estimated that liability policies outnumber collision, but pointed out that collision protection is required by finance companies on cars purchased on installment plans.

Roosevelt Urges Norris To Continue Useful Life

President Roosevelt said on Dec. 11 that he had asked Senator George W. Norris of Nebraska, who is retiring as Senator, to continue a useful life by talking to the people of this country and the world, because, the President added, he has a story to tell.

In reporting this, Associated Press advices from Washington Dec. 11 stated:

"Asked at a press conference whether he had requested Mr. Norris during a conference yesterday to remain in the Government, the President said he had not.

"He added that he had talked about the necessity of the veteran Independent, who was defeated for re-election, continuing to express his views to America and the world.

"The President added that Senator Norris has a great audience and a story to tell, and that when one person has those two things he should not quit and go home just because he is 81 years old.

"When a reporter wanted to know if he had suggested that Mr. Norris write a column, the President laughed and replied, nobody could write a column interestingly and truthfully three times a week.

"Senator Norris told reporters that his sole ambition is to have a hand in making the just and permanent peace he thinks ought to come out of this war."

Following the adjournment of Congress on Dec. 15, Senator Norris reiterated his determination to go back home to McCook, Neb., despite "a lot of pressure on me to stay here."

"I'm not going to do like a lot of fellows who lay around here looking for a job, although I know I need one," he declared.

Asked if he expected to follow the suggestion of President Roosevelt to remain in public service he replied: "I don't think so."

Norris said he had two engagements to fill before returning to Nebraska. One is a dinner in his honor in New York Dec. 29, the other a speech before the National Association of Rural Electric Cooperatives at St. Louis Jan. 19.

At a testimonial dinner given for Senator Norris by Senator Guffey in Washington on Dec. 10, Vice-President Wallace described Senator Norris as "one of the far-visioned social planners of his time." Addressing the gathering, Mr. Wallace praised the Nebraskan as one who belonged to "that small group of wise public men who clearly see the future and are willing to do something about it."

In a valedictory speech Senator Norris declared that the Americans who want to fight this war for profit or political power must be "taught the evil of their ways" so that the United States can join in writing a permanent peace. Lauded in a letter from President Roosevelt the Senator turned the testimonial dinner into a forum for an appeal for a just peace, said the Associated Press, which added:

"With half a hundred or more of the nation's public leaders banked around him at a horseshoe dinner table, Senator Norris listened silently as speaker after speaker piled accolade upon accolade in discussing his history-making public career.

"Then with a brief word of thanks, Senator Norris plunged into a vigorous attack on the views of those he said apparently were more interested in personal gain than in making over the world after the war.

* * *

"If out of it all we cannot get a peace that will combine the efforts of all of the world for better things then we had better surrender to Hitler tonight," the white haired exponent of liberalism declared.

Senator Norris, who has served nearly 40 years in Congress, will retire on Jan. 3, having been defeated in the November election by Kenneth Wherry. On Dec. 10 Senator Norris was the guest of the President at a White House luncheon.

Urges War Housing By Private Builders

"Whatever war housing should be built in 1943 should be built by private home builders because they can do it quicker, cheaper and better," declared Fritz Burns of Los Angeles, Cal., newly elected President of the National Association of Home Builders, in the current issue of the "American Builder," made available Dec. 20. "The private builder can be implemented to do war housing far better than any public agency," Mr. Burns says. "He can do it with less materials and more quickly than the cumbersome procedures involved in any job run in Washington. He isn't asking for subsidies; he isn't asking for cost plus contracts, but for the opportunity to build the greatest amount of decent war housing with the least materials and with the minimum of government ownership and a minimum of post-war repercussions."

But, Mr. Burns points out, competent builders are being killed off like flies, needlessly and wastefully, by the conditions which have been put upon them in the vital job of producing accommodations for war workers. The horns of the dilemma for the private builder have been the limited material allowed by WPA and FHA limitations as to the kind of house it will insure. As a result of uncertainty after uncertainty, the very existence of one of the greatest industries in the country is being pinched out, unnecessarily, at a time when it is vitally needed in the war effort.

Six reasons why private building in the war period is preferable to public building, and why every effort should be made to give it conditions under which it can work, were listed as follows by Mr. Burns:

1. Lack of monotony, through personalizing and individualizing of privately owned homes.
2. Less wasteage in maintenance.
3. Less likelihood of ghost communities.
4. More efficient use of priorities by private builders.
5. Greater public acceptance of privately built war houses.
6. Privately built housing is less apt to be wasteful or excessive beyond the actual need in areas subject to fluctuating populations.

'Industry Advocate' To Aid On Business Questionnaires

The War Production Board announced on Dec. 19 that those industrial executives who feel that they are receiving WPB questionaires which they believe cannot be answered are invited to bring their troubles to James Clay Woodson, who has been named "Industry Advocate" within the WPB. The WPB announcement says:

"Mr. Woodson will examine the questionnaire forms sent to industry. It will be his task to balance the need for the requested data against the burden imposed upon business concerns in compiling it. In doing so he will consult with business men, seeing to it that their points of view are fully considered. When Mr. Woodson finds that questionnaires burden industry more than than they help the war program, he will so inform the Office of Survey and Standards within the WPB, of which he will be a member. This office has the power to veto proposed questionnaire forms.

"In addition, Mr. Woodson will act on specific complaints to review the applicability of questionnaires already sent out. In this task he will succeed Joseph I. Lubin, Chairman of the Committee of Data Requests from Industry. Mr. Lubin last summer set up a committee within the WPB to remove grievances relating to questionnaires and forms. Some time ago Mr. Lubin asked to be relieved of his duties but agreed to remain until a successor had been found.

"Mr. Woodson was chosen for the task after consultation with the Advisory Committee on Government Questionnaires formed in September on the suggestion of Harold Smith, Director of the Bureau of the Budget. This Committee, which is headed by W. J. Donald, Managing Director of the National Electrical Manufacturers Association and former President of the American Trade Association Executives, includes as members executives of the leading business associations. Asked by the WPB to propose an 'Industry Advocate,' it named Mr. Woodson.

"Mr. Woodson brings to his assignment 25 years' experience as an engineer and manufacturer. It was the feeling both of the trade association executives and of the WPB that a man with operating experience is best able to judge the difficulties that concerns face in compiling information."

Up To Congress To Decide On Cuts In Non-War Funds

President Roosevelt told his press conference on Dec. 29 that he would leave to Congress the final responsibility for further reducing non-war expenditures. Mr. Roosevelt indicated this when asked about reports that he plans to recommend large cuts in non-war expenditures in his budget message next week. The President will appear before Congress on Jan. 7 to deliver his message on the State of the Union and probably submit his budget message the following day (Jan. 8).

Mr. Roosevelt also said it was difficult to define what were war expenditures and what were not, citing, as examples, Federal supervision of meat inspection and control of white pine blister rust.

As to reports that funds for the anti-trust division of the Department of Justice would be greatly reduced, the President said that anti-trust laws were on the statute books and that it was up to the Congress to see that sufficient funds were appropriated to enforce them.

New World-Wide Democracy Of United Nations Urged By Wallace In Wilson's Birthday Address

In an address on Dec. 28 Vice-President Henry A. Wallace presented several objectives which should be sought in the peace "that will inevitably come." Asserting that "measures of relief and rehabilitation will have to be undertaken," as "territory previously overrun by the Germans and the Japs is reoccupied by the forces of the United Nations," Mr. Wallace went on to say:

"Later, out of the experience of these temporary measures of relief, there will emerge the possibilities and the practicalities of more permanent reconstruction.

"We cannot now blueprint all the details, but we can begin now to think about some of the guiding principles of this world-wide new democracy we of the United Nations hope to build.

"Two of these principles must be liberty and unity, or in other words, home rule and centralized authority, which for more than 150 years have been foundation stones of our American democracy and our American union."

Mr. Wallace's remarks were broadcast from Washington, and his address, delivered on the 86th birthday of the late President Woodrow Wilson, was sponsored by the Woodrow Wilson Foundation, American Political Science Association, American Society for Public Administration and American Historical Association.

According to the Associated Press, President Roosevelt was consulted in advance of its delivery and the Office of War Information gave notice ten days ago that it would be presented, calling it "an important address on questions of the peace and post-war problems."

The Associated Press advices, as given in the Baltimore "Sun," pointed out that Mr. Wallace suggested as the guiding principle for international organization after the war "the maximum of home rule that can be maintained along with the minimum of centralized authority that must come into existence to give the necessary protection." The advices added:

"The objective would be fourfold:

"To preserve the liberty, equality, security and unity of the United Nations—liberty in the political sense.

"Equality of opportunity in international trade.

"Security against war and business depression due to international causes.

"Unity of purpose in promoting the general welfare of the world.

"Discussing what to do with the defeated nations, he advocated not only militray but 'psychological disarmament.'

Mr. Wallace observed that "it is especially appropriate to discuss this subject on this particular date, because it is the birthday of Woodrow Wilson, who gave up his health and eventually his life in the first attempt, a generation ago, to preserve the world's peace through united world action."

Continuing, he said: "At that time there were many who said that Wilson had failed. Now we know that it was the world that failed and the suffering and war of the last few years are the penalty it is paying for its failure.

"When we think of Woodrow Wilson, we knew him not only for his effort to built a permanent peace, but for the progressive leadership he gave our country in the years before that first world war. The 'New Freedom' for which Woodrow Wilson fought was the forerunner of the Roosevelt 'New Deal' of 1933 and of the world-wide new democracy which is the goal of the United Nations in this present struggle."

Saying that the task of this generation "is so to organize human affairs that no Adolph Hitler, no power-hungry warmongers, whatever their nationality, can ever again plunge the world into war and bloodshed," the Vice-President said that soon the nations of the world will have to face the question of whether the world's affairs can be so organized as to prevent a repetition of the twin disasters—depression and war.

As to the special problem of what to do with the defeated nations after victory is attained, Mr. Wallace said "the United Nations must back up military disarmament with psychological disarmament—supervision, or at least inspection of the school systems of Germany and Japan, to undo so far as possible the diabolical work of Hitler and the Japanese war lords in poisoning the minds of the young."

Mr. Wallace stated that it would be the height of folly not to prepare now for the peace that will inevitably come and asserted that "without well-planned and vigorous action, a series of economic storms will follow the war," taking the form of inflation and temporary scarcities, followed by surpluses, crashing prices, unemployment, bankruptcy and, in some cases, violent revolution.

Mr. Wallace further said:

"Obviously the United Nations must first have machinery which can disarm and keep disarmed those parts of the world which would break the peace. Also there must be machinery for preventing economic warfare and enhancing economic peace between nations. Probably there will have to be an international court to make decisions in cases of dispute. And an international court presupposes some kind of world council, so that whatever world system evolves will have enough flexibility to meet changing circumstances as they arise. . . .

"The aim would be to preserve the liberty, equality, security and unity of the United Nations—liberty in a political sense, equality of opportunity in international trade, security against war and business depression due to international causes, and unity of purpose in promoting the general welfare of the world."

"In other words, the aim would be the maximum of home rule that can be maintained along with the minimum of centralized authority that must come into existence to give the necessary protection. We in the United States must remember this: If we are to expect guaranties against military or economic aggression from other nations we must be willing to give guaranties that we will not be guilty of such aggression ourselves. We must recognize, for example, that it is perfectly justifiable for a debtor, pioneer nation to build up its infant industries behind a protective tariff, but a creditor nation can be justified in such policies only from the standpoint of making itself secure in case of war."

With respect to economic reconstruction, the Vice-President said that "maintenance of full employment and highest possible level of national income should be the joint responsibility of private business and of government." He added:

"When the war is over, the more quickly private enterprise gets back into peace-time production and sells its goods to peace-time markets here and abroad, the more quickly will the level of government war-time expenditures be reduced. No country, through its own efforts or in co-operation with government, is able to maintain full employment. Let us hope that the best thought of both business and government can be focused on this problem, which lies at the heart of our American democracy and our American way of life."

Mr. Wallace also stated that "the war will have been fought in vain if we in the United States, for example, are plunged into bitter arguments over our part in the peace or over such fictitious questions as government versus business."

He went on to say that the whole question of the post-war problem should be approached "not emotionally from the standpoint of either sacrifice or selfishness, but objectively from the standpoint of finding the common meeting ground on which the people of the world can stand. This meeting ground, after all, should not be hard to find—it is the security of the plain folks against depression and against war."

Mr. Wallace concluded:

"In the new democracy there will be a place for every one—the worker, the farmer, the business man, the housewife, the doctor, the salesman, the teacher, the student, the store clerk, the taxi driver, the preacher, the engineer—all the millions who make up our modern world. This new democracy will give us freedom such as we have never known, but only if, as individuals, we perform our duties with willing hearts. It will be an adventure in sharing—sharing of duties and responsibilities, and sharing of the joy that can come from the give-and-take of human contacts and fruitful daily living. Out of it, if we all do our part, there will be new opportunity and new security for the common man—that blend of liberty and unity which is the bright goal of millions who are bravely offering up their lives on the battle fronts of the world."

From Washington

(Continued from first page)

employment before negotiating with the union because in his rapidly expanding operations he never knew when that stage was reached.

What has greatly perturbed both the CIO and the AFOL, however, is the Board's belated contention that the Wagner Act, instead of strengthening the hand of the union in its pursuit of the closed shop agreement, really weakened it. The Board is now saying that if either the CIO or the AFOL goes out on its own enterprise and negotiates a closed shop agreement, the Board feels free to set it aside. You can imagine that both CIO and AFOL are beginning to wonder just what sort of a labor Magna Charter the Wagner Act was.

There are some observers who see in the Board's rearing of its head at this time, a conviction on its part that in attacking closed shop agreements it will have the public on its side. The Board has been the subject of plenty of abuse and criticism for injecting a disturbance into the Kaiser yards, and observers have been amazed at its tenacity in going right ahead in the face of the storm. There is a feeling now that the Board hopes to ride the popular wave against the closed shop. The catch, of course, is that the Government is encouraging closed shop agreements, and the Board itself does not definitely discourage them; it is mostly insisting upon the right of passing upon them.

The turn of events is giving belated justification to those few veterans of the AFOL who didn't want any part of the Wagner Act in the beginning. They were denounced at the time as reactionary, as not really having labor's interests at heart. They are cackling to themselves now.

All indications point to the determination of a strong element in the new Congress to pry into lend lease operations, and just as strong determination on the part of the Administration together with a portion of the conservative press to prevent it. There is this to be kept in mind: This country will spend $100 billion in this fiscal year. The whole British Empire will spend but $20 billion. This is not to make any odious comparisons, but it is difficult to see why there shouldn't be a calm investigation of where our money is going. The man in charge of the expenditures, Harry Hopkins, is certainly not a man to inspire unlimited confidence. There is ample evidence that lend lease operations have more to do with the post-war ambitions of the New Dealers than with the prosecution of the war itself.

Farm Parity Bill Fails Of Action In Senate

The House-approved bill to redefine the farm parity price formula, so as to include the cost of all farm labor, which was not called up for consideration in the Senate before the Dec. 16 adjournment of Congress, is expected to be reintroduced by farm leaders early in the new session, starting Jan. 6.

The bill, which had passed the House on Dec. 3, would require reassessment of parity factors to include cost of labor represented in the production of crops, including work done by the farmer, his family and hired hands.

The Senate Agricultural Committee unanimously approved the bill on Dec. 5 and on Dec. 7, according to the United Press, Senator Thomas of Oklahoma sought to advance the House-approved bill by making it a rider to an Administration - sponsored bill. These advices said: "He introduced the legislation which would include all farm labor costs in computing parity, as an amendment to a bill which would add $5,000,000,000 to the Reconstruction Finance Corporation's borrowing power."

Under date of Dec. 14 Associated Press Washington accounts said: "Inspired by the testimony of Federal Loan Administrator Jesse Jones at a closed session of the Banking Committee that the RFC had no recourse but to make funds available when the BEW issued a directive, Republicans demanded an amendment which would require prior RFC approval of expenditures before the BEW could embark on new projects.

"Last-minute efforts by Mr. Jones to compromise this controversy were reported to have met with the flat statement of Republican leaders that the bill would not pass this session."

It was predicted that, had the legislation passed the Senate, President Roosevelt would have vetoed it as he had previously expressed his opposition to any change in the farm parity price formula.

When the Economic Stabilization Act was being debated last September a proposal to redefine parity so as to include labor costs was bitterly contested. The House had first approved its inclusion but, after President Roosevelt had voiced his "unalterable opposition" to any recomputation of parity, a compromise proposal was worked out with the Senate under which it was agreed that in fixing maximum prices for farm commodities the President was directed to modify them if the ceiling prices failed to reflect the increase in the cost of farm labor since Jan. 1, 1941. Parity, below which farm price ceilings cannot be computed, is a price level calculated to give farmers a return for their crops comparable to a past favorable period, usually 1909-14.

The Office of Price Administration had estimated that, if the parity formula was revised to include farm labor costs, it would add $3,000,000,000 to $3,500,000,000 annually to the over-all cost of living.

The previous action by Congress on this matter was reported in these columns Oct. 8, page 1268.

ABA War Trust Conf. To Be Held In New York

A Wartime Conference on Trust Problems will be held in New York, Feb. 9-11, under the auspices of the Trust Division, American Bankers Association, it is announced by Louis S. Headley, President of the division, and also Vice-President of the First Trust Co. of St. Paul State Bank, St. Paul, Minn. Mr. Headley stated:

"There will be five sessions of the conference devoted chiefly to problems which are created or magnified in importance by the war. Trust institutions have special responsibilities here at home," he said. "They are serving many dependents whose chief support has been removed. They are serving men with property (and their families) who are in the armed forces or in war work. Trust institutions have a large part to play in protecting property and in providing security on the home front.

"Methods of serving these people better under difficult war conditions, and the larger problem of preserving values in a time of world disorder will be the theme of our conference."

Included among those scheduled to speak, in addition to Mr. Headley, are Gilbert T. Stephenson, Director of Trust Research of the A.B.A. Graduate School of Banking, and Mayo Shattuck of the Boston Bar, well known in trust circles. There will be several panel discussions — on wartime personnel problems, under the direction of William Powers, A.B.A. Director of Customer and Personnel Relations; on trust economics, under the direction of Dr. Paul F. Cadman, A.B.A. Economist, and on taxes, under the direction of Charles H. Mylander, Vice-President and Trust Officer of the Huntington National Bank, Columbus.

NY Community Trust Makes Xmas Grants

Christmas disbursements totaling $136,937 were made by the New York Community Trust on Dec. 24. "This," said Ralph Hayes, Director, "was the largest volume of outpayments the Trust has ever made in one day. The holiday grants numbered 106. Most of them were made in or near New York, but appropriations went also to agencies in 15 other cities including Baltimore, San Francisco, Washington, Seattle and San Diego. Among a variety of social services assisted, health and hospitalization, negro welfare and children's aid were outstanding. The advices in the matter added:

"Allotments for four Salvation Army operations in New York and San Francisco totaled $10,667. A grant of $10,000 to Johns Hopkins Hospital will benefit the Woman's Clinic there, finance a research project in nutrition and provide an obstetrical and gynecological museum. To the Y. W. C. A. in New York, Brooklyn and San Francisco, $9,750 was paid. Henry Street Settlement received $6,568 for its settlement work, visting nurse service and music school.

"Other recipients of the Trust's Christmas payments included Girl Scouts, $4,750; American Red Cross, $4,700; Travelers Aid Society, $4,450; United Hospital Fund, $4,051; Community Service Society, $3,234; Florence Crittenden Home, San Francisco, $3,150; Metropolitan Opera Association, $3,000; Lincoln School for Nurses, $2,950; Colored Orphan Asylum, $2,600, and Children's Aid Society, $2,600."

President Signs Federal Overtime Pay Bill— 48-Hour Week & Elimination of Non-Vital Work

On Dec. 24 President Roosevelt signed the resolution, approved by Congress before its adjournment, providing for pay or salary increases for some 1,500,000 or more civilian employees in the Federal service. At the same time the President asked Federal agencies to "reduce personnel wherever possible," and to establish a minimum work schedule of six days, 48 hours a week, for both departmental and field services. Saturday, under the new legislation is made a full work day, said United Press accounts from Washington Dec. 24, which further stated:

Most workers affected by the bill will receive overtime on the basis of time-and-a-half for work beyond 40 hours weekly. A flat 10% raise will be granted to salaries which do not lend themselves to overtime computation. No increase will be granted that would raise any salary to over $5,000 a year and overtime pay will be calculated only on a base of $2,900.

The measure was designed to relieve Federal workers, including postal employees, who heretofore were not compensated for extra work. It does not, however affect labor in arsenals, shipyards and other government-operated industries, who will continue to receive overtime for extra work.

The new legislation, in the form of a resolution, was passed unanimously by the Senate and House on Dec. 15. The increases would be retroactive to Dec. 1, and will continue in effect only until April 30. It is expected that Congress, in the interim, will revise the government pay schedule in more comprehensive legislation. Passage of the legislation came after President Roosevelt had called upon Congress to deal realistically with the whole field of Federal pay, rather than renew stop-gap legislation, and suggested that he be delegated authority to deal with pay and hours of work if Congress could not act within a few days.

On Dec. 28 the President issued an executive order defining the regulations governing the overtime pay. Reporting this, advices to the New York "Herald Tribune," from its Washington bureau, said:

"The order states that "each employee shall be paid only such overtime compensation or portion thereof as will not cause his aggregate compensation, composed of his basic rate of compensation and his overtime compensation, to exceed a rate of $5,000 per annum."

"To compute overtime compensation, the pay for one hour shall be considered to be one-eighth of the employee's pay for one day and the pay for one day shall be considered to be 1-360 of the employee's per annum salary.

The order empowers heads of departments and agencies to establish a regular work week, that is, official hours of duty for each employee or group of employees.

In approving the pay-rise legislation, on Dec. 24, the President said that it is a "major step toward setting the government personnel situation in order" and one which "removes inequities and meets the rise in the cost of living by providing increased earnings for more work and longer hours."

The measure, he added, also "recognizes the acute manpower shortage and, as a wartime necessity, removes the peacetime luxury of the Saturday half holiday."

In directing department heads to institute a general six-day. 48-hour week, Mr. Roosevelt said in a memorandum:

"For many departments and agencies, the adoption of the 48-hour-week will represent a four-hour increase in the working schedule. Obviously, this will permit a reduction of personnel in some agencies and eliminate the necessity of filling vacant positions in others. I am expecting you to take immediate steps to bring about a reduction in your personnel requirements."

The President's memorandum further said:

"The Federal Government must concentrate on one task, the winning of the war. At this time we must measure all government activities against the grim standards of total war. Many activities, desirable in peace times, must be eliminated, provided only that such eliminations do not result in permanent harm to the future health and security of our individual citizens; many services must be provided at a reduced standard; all agencies—military and civilian—must take all necessary measures to organize their work for maximum efficiency.

"Although we have made great strides in converting the government to an all-out war basis, I am not satisfied that we have exhausted all the possibilities.

"I wish to be certain that we have stripped government activities of every nonessential, that work in one agency is not being duplicated in another, that we are carrying on our work in the war and so-called non-war agencies with an irreducible minimum of personnel fully employed, and that we are doing our job in the most effective and quickest way possible with only the absolute minimum of paper work or 'red tape.'

"I am expecting you, with the help of your employees from the top to the bottom of your agency, to begin immediately a continuing review of your activities, to eliminate every non-vital service, to seize every opportunity for improving the speed and efficiency of your operations, and to conserve manpower, materials and money."

It is estimated that the increases will add about $108,300,000 to the Federal payroll for the five-month period.

Representative Ramspeck (Dem., Ga.), Chairman of the House Civil Service Committee, explained the provisions of the resolution as follows, according to the Associated Press:

"1. Extends provisions for overtime pay for 52% of all Federal civilian employees. The extra pay provision, which expired Nov. 30, is based on slightly less than time-and-a-half for hours worked in excess of 40 a week.

"2. Brings under overtime provisions the remaining 48%, except those paid on a fee, mileage or some other basis where definite work hours are not stipulated.

"3. Grants a 10% increase to employees not on an hourly basis, including postal workers employed on a mileage or other factor, and to employees in the legislative and judicial branches.

"4. Provides that both the overtime and 10% increases are payable only on the first $2,900 of an employee's salary, and that an employee making $5,000 or more will receive no increase, regardless of his hours. No persons holding elective jobs get increases."

Canada Ends Year Of Unprecedented Activity

Canada is ending a year of unprecedented business activity with the output of war materials dominating industry to such an extent that the Government has become the purchaser of more than 50% of the entire production of the country, the Bank of Montreal states in its "Business Summary" dated Dec. 23. The Bank states:

"Marked shifts in business have accompanied this activity and are becoming more accentuated, there being a progressive narrowing in the field of non-essential production and a concurrent extension of the influence of war business over commodities, manpower and services."

The bank adds:

"Canada's plant capacity for producing aluminum has been expanded seven-fold since the war began and can now produce more than the entire world production of aluminum in 1939. The shipbuilding output has increased 20% in the past three months and the program now calls for a total expenditure of $900,000,000. Canada, since the war began, has launched 300 combat vessels and 1,100 smaller craft, and more than 70 of a program total of 300 merchant vessels of the 10,000-ton type have already been delivered.

"A material factor in the North African victories of the British army has been Canada's contribution to operations in that area of mechanized military vehicles estimated at 40,000 units. The total output by automobile manufacturers of military vehicles during 1942 will be about 215,000 units. The value of communications and signal equipment produced in Canada this wear will be more than $100,000,000 and plans are laid for its expansion to $250,000,000 in 1943.

"The demands of expanded industries have necessitated an enlargement of the production of electric power."

Plans For Pooling US-British Resources

Oliver Lyttelton, British Production Minister, told the House of Commons on Dec. 16 that Great Britain and the United States have agreed on allocation of their soaring output of raw materials, shipping, tanks, planes and armaments in 1943, pooling their resources for the common war against the Axis.

Reporting on his recent visit to Washington, where he conferred with American production officials, Mr. Lyttelton said the arrangements will enable Britain to step up her war effort as much as one-third, and permit the Allies to bring "the optimum impact upon the enemy."

According to the United Press advices from London, Mr. Lyttelton's report included these highlights:

"1. Combined Anglo-American shipbuilding in 1943 will substantially exceed 20,000,000 dead weight tons — "a colossal total which represents twice the Mercantile tonnage controlled by the United States before the war." American production will include a higher proportion of faster vessels.

"2. The United States will allocate to Britain a definite number of various types of aircraft, including a "very substantial" proportion of transport planes.

"3. Sufficient American shipping will be allocated to Britain to carry out the minimum program for British imports from the United States. Definite agreement on the import program was reached.

"4. The two nations will combine their program for building escort vessels and allotting them to British and American Navies.

"5. Agreements were reached on the amount of raw materials, munitions, equipment and other items which the United States will ship to Britain."

The same advices said:

"Mr. Lyttelton gave no figures on expected plane production next year, but said the American allocation of aircraft to Britain next year will be higher than any figure previously discussed.

"The question of building a greater number of transport planes," he said, "is being studied."

Canned, Dried, Frozen Fruits, Vegetables To Be Rationed Under Point System

Secretary of Agriculture Claude R. Wickard announced on Dec. 27 that he has directed the Office of Price Administration to ration all canned, dried, and frozen fruits and vegetables as soon as the machinery for rationing can be set up.

"Increased requirements of canned fruits and dried fruits for military purposes make it essential that our stocks be conserved," Secretary Wickard said. "While our total supplies of canned fruits and dried fruits are the largest in history, they are among the foods most urgently needed for the fighting men of this nation and other United Nations. This year over one-third of our production of canned and dried fruits and vegetables is being used by the armed services; during the coming year nearly half of our production will be needed for military purposes," Secretary Wickard stated. He added:

"On the average, 33 pounds of canned, frozen, or dried fruits and vegetables are expected to be available for each person in 1943, as compared with an average of about 46 pounds a year from 1937 to 1941.

"With respect to the total food situation, I would like to stress the fact that, despite the heavy needs for food on the fighting fronts, our total output is so large that more than enough food remains to give civilians a well-balanced and healthful diet. To get this well-balanced and healthful diet to our people, our food must be fairly and equitably distributed. Rationing is a means to that end. It is a means of seeing that a small minority does not hoard or waste food at the expense of the rest of us. When that fact is realized I know that rationing of the comparatively few foods that need to be distributed in this manner will have the whole-hearted acceptance and support of the American people."

Secretary Wickard explained in a nation-wide radio address on Dec. 27 that rationing of some foods "is the best and fairest way to be sure that every American gets enough to eat." While saying that production records are being broken, the Secretary stated that rationing is necessary because "food from the United States is playing a tremendous part in the war strategy of the United Nations" and that "next year our armed forces and our fighting allies will need about a quarter of all the food we produce."

Mr. Wickard was preceded on the radio program by Elmer Davis, Director of the Office of War Information, who explained that the reason for announcing the rationing of fruits and vegetables so far ahead of the date it will go into effect was because the new system of point rationing will take longer than usual to get operating.

Both Mr. Wickard and Mr. Davis joined in appealing to the public to refrain from hoarding before the rationing is begun.

In a statement issued Dec. 27 Leon Henderson, Price Administrator, said the food rationing system is expected to begin in February and that, in the meantime, full information on the mechanics of the ration plan must be gotten to processors, wholesalers, retailers and the public. Embraced in the broad categories of rationed items are more than 200 kinds of fruits and vegetables, juices and soups, and a great variety of brands, grades and sizes and shapes of containers, Mr. Henderson said. He went on to explain:

"The mechanics of their purchase by the public under the program are simple.

"With a few minor exceptions, such as individuals living in institutions, every member of the civilian population from the newborn infant to the oldest inhabitant will have exactly the same number of points to spend during each ration period. These periods will be announced in advance.

"Point values will be identical in every store in the country and a housewife may shop for the family in any store she likes.

"The new point 'currency' for processed foods will be represented by the blue stamps in War Ration Book 2, which contains both red and blue stamps. There are a total of 96 blue stamps and a numeral on the face of each shows its point value. Each stamp also bears a letter of the alphabet. These letters designate the ration period when stamps may be used.

"For example, all blue stamps bearing the letters A and B; or A through F; or any other combination, might be designated for use during a specific period. Since each letter of the alphabet appears on stamps totaling 16 points —one '8,' and '5,' one '2,' and one '1' — the letters made valid in any one period determine the number of points that may be spent to buy the rationed foods. If only A and B stamps were validated, only 32 points could be spent during the first ration period, while if stamps marked A through F were designated, the holder would have 96 points to spend.

"There are three important facts to be remembered in this connection:

"1. The total number of points that will be allotted to each civilian has not yet been determined; nor has the specific point value of any of the foods to be rationed. Points will be set for each commodity according to its supply at the time the ration period is announced.

"2. Possession of points merely entitles you to buy your share; you must pay for the rationed merchandise, as usual, in dollars and cents.

"3. The housewife has complete freedom of choice. She can spend her points any way she wishes, although, of course, the items that are scarce will have a higher point value and hence will use up her points faster."

Closing Dates For 1943 Cotton Insurance Extended

Cotton farmers in most parts of the United States will have 15 more days in which to apply for Federal Crop Insurance on their 1943 cotton crop, than on their 1942 crop, the U. S. Department of Agriculture said on Dec. 31. Extension of the closing dates for insurance applications in many of the 19 cotton states was made upon recommendation of cotton growers and Agricultural Adjustment Agency farmer committeemen, said the Department, which added:

"Because of seasonal conditions, closing dates vary in the several states. In the Tulare Lake area, Kings County, Calif., Dec. 31 is the deadline date. The next deadline date is Feb. 15, in four counties in the lower Rio Grande Valley, Texas. All other closing dates fall on March 1, March 15, or April 1.

"Applications for crop protection must be signed before planting and before the final date in the county where the farm is located.

"In 1942, the first year of Federal cotton crop insurance, approximately 172,000 farmers insured their cotton crops. This coverage represented about 11% of the nation's cotton farms."

McNutt Streamlines Manpower Controls— Five Operating Divisions Set Up

A new and streamlined organization of the War Manpower Commission was announced on Dec. 17 by Chairman Paul V. McNutt. Taking full advantage of the broad power granted by the President's recent Executive Order, Mr. McNutt placed the many divisions, offices and services which have been added to the Commission in recent months under full control of five operating divisions. The WPB states that in addition to the Bureau of Selective Service, originally announced, these bureaus are: the Bureau of Placement, the Bureau of Training, the Bureau of Labor Utilization, and the Bureau of Program Planning and Control. From the advices of the WPB we also quote:

"The Office of the Executive Director has been strengthened. Under the new set-up the Executive Director will be the general manager in charge of all administration and operations both in Washington and in the field. There will be two assistant executive directors, one of whom will have general responsibilities and the other will be in charge of field management.

"At the same time, Mr. McNutt issued instructions for all Washington offices to make a study of their operations in order (a) to cut down the volume of paper work and the number of reports required from the field, and (b) to determine how much additional authority could be delegated to the regional offices and from the regional offices to local offices.

"While there must be strict adherence to national policies relating to the allocation and use of manpower for military and industrial needs, every action will be taken to insure prompt and decisive action in the local community," Mr. McNutt said. "It is in the local community, not in Washington, where war jobs are really done."

At the same time Mr. McNutt announced the following staff:

"In the Office of the Chairman, Fowler V. Harper will continue as Deputy Chairman. Arthur S. Flemming will continue as presiding officer of the Management-Labor Committee.

"In the Office of the Executive Director, the following appointments were announced:

"Acting Executive Director, Arthur S. Flemming.

"Acting Assistant Executive Directors, Robert M. Barnett (general and personnel), and Byron Mitchell (field management).

"Budget and Administrative Planning Service, Leonard A'Hearn, Chief.

"Administrative Services, Harold S. Dotterer, Chief.

"General Counsel, Barnard C. Gavit. Associate General Counsel, Lt. Col. Edward F. Shattuck.

"Information Service, Philip S. Broughton, Director of Information.

"Chiefs of the operating bureaus are as follows:

"For the Bureau of Selective Service, Maj.-Gen. Lewis B. Hershey has already been announced as director. For the Bureau of Program Planning and Review, William Haber is director; for the Bureau of Training, Dr. W. W. Charters is acting director; for the Bureau of Placement, Glen E. Brockway is in charge. No director is announced for the Bureau of Labor Utilization; in the meantime, Brig.-Gen. William C. Rose will continue as Chief of the Manning Table Division in this bureau.

"Major responsibilities of the operating divisions are as follows:

"The Bureau of Selective Service will operate as heretofore along the lines prescribed by the Selective Service Act. It will coordinate its activities with the Placement Services and other offices of the War Manpower Commission.

"The Bureau of Placement will have responsibility for industrial employment, agricultural employment, the placement of professional and scientific manpower, and employment in Government services.

"The Bureau of Training will be responsible for professional and technical training, vocational training, the National Youth Administration, the training-within-industry program, and apprentice training.

"The Bureau of Program Planning and Review will be responsible for all reports and research, compilation and relation of labor market data, and relations with war agencies. It will coordinate the statistical activities of the Commission and maintain technical consulting service.

"The detailed organization of the Bureau of Labor Utilization has not been completed. It now includes the Manning Table Division and is expected to include analyses of in-plant employment problems."

Previous reference to Chairman McNutt's action regarding manpower was made in these columns Dec. 17, page 2165.

New One-Cent Coin To Be Of Zinc-Coated Steel— Three-Cent Coin Planned

Secretary of the Treasury Morgenthau established on Dec. 24 specifications for a new wartime one-cent coin to be made of zinc-coated steel. The action was taken under recently enacted legislation designed to conserve strategic metal. The Treasury Department stated that:

"The order provides that the new piece shall be of the same size and design as the present coin, which has been minted since 1909. Coinage of the present penny, which is 95% copper, is suspended after Jan. 1, 1943."

Mrs. Nellie Tayloe Ross, Director of the Mint, said the new one-cent piece will be in production about Feb. 1. At the same time, Mrs. Ross said that the campaign to draw outstanding coins out of hiding and into business use will be continued. It is believed that by increasing circulation of coins already minted, demands for war-necessary metals can be reduced substantially.

The Treasury Department's announcement further stated:

"School children throughout the Nation have joined this month in the Treasury's campaign to induce conversion of coin savings into War Stamps and Bonds, or otherwise to divert them into business channels. The program, designed initially to increase available penny stocks for holiday needs, while the changeover to the new metal is being made, has proved so successful that it is being adopted as a continuing wartime policy.

"Banks throughout the country have given substantial assistance to the campaign to increase circulation of outstanding coins, Mrs. Ross said, many of them carrying on extensive publicity programs in their communities at their own expense. Many individuals, radio stations, and commercial establishments have helped.

"A huge volume of correspondence received at the Mint attests to the enthusiasm with which the schools have participated.

"Since the coins, upon reaching the banks, have been packaged promptly and reissued to fill business needs, no actual figures on the number of pieces attracted from hiding are available.

"Legislation authorizing a change in the penny was signed last week by President Roosevelt. With approval of the War Production Board, Secretary Morgenthau authorized production of the zinc-coated steel coin after prolonged experimentation convinced Mint officials that this was the most practical material available at this time.

"The new law also authorizes coinage of a 3-cent piece, and, if the demand for minor coins continues, consideration will be given this denomination after the new penny is in production. The United States last minted a 3-cent coin in 1889.

"The zinc-steel penny will weigh slightly less than the copper coin, 41.5 grains, against the present 48 grains. Newly minted, it will have a blue-gray cast, which will tend to become dull with circulation.

"The extremely thin zinc coating will protect the steel from rust.

"Authority to make the new coin expires Dec. 31, 1946, but the order establishing the zinc-steel composition may be modified or revoked at any time by the Secretary of the Treasury."

Previous reference to the new one-cent coins was made in these columns of Dec. 24, page 2255.

"B" & "C" Gas Coupons Worth 3 Gallons Only

Issuance of "B" and "C" supplemental gasoline rations in the East, ordered held up pending completion of new mileage tables, was resumed early last week under a new and tougher policy.

War Price and Rationing Boards are being instructed to examine each new application with extreme care and to grant supplemental rations restricted to the absolute minimum. In the case of renewals the boards are asked not to issue a number of coupons in excess of that granted previously except in the most extraordinary circumstances.

Value of "B" and "C" coupons was cut from four to three gallons each in the 17 Eastern States and the District of Columbia about two weeks ago because of the increasing gravity of the petroleum situation. At the same time, the issuance of new "B" and "C" supplemental rations, or their renewal, was suspended except where hardship is proven, until revised mileage tables and new instructions could be prepared and distributed to the local boards.

Commenting on the revised instructions, Leon Henderson, OPA Administrator, said that in view of the critical supply situation any inflation in coupon issuance must be prevented.

"The Board must reduce the ration in line with the necessary 25% reduction in gasoline consumption in all cases where extreme hardship would not be caused by such a straight reduction."

In addition to proof of necessity for mileage the boards will require each applicant to meet fully the ride-sharing and alternative transportation requirements of supplemental rations.

The reduction in "B" coupon value to three gallons also reduces the mileage possible in "B" books. Supplemental "B" books used in connection with an "A" book, will now provide a maximum of 378 miles of occupational driving a month, instead of 410 miles as previously. Boards cannot allow mileage above this ceiling unless the applicant belongs to the preferred mileage class, and is therefor eligible for a "C" book.

Dealers were instructed to turn over all "A," "B," and "C" coupons which they redeemed at the previous four-gallon value by Dec. 22 to their suppliers. Intermediate and licensed distributors were given until 12:01 A. M. Dec. 29 to dispose of their four-gallon coupons. After that date War Price and Rationing Boards were instructed to accept coupons from dealers or suppliers at the three-gallon rate only.

Darlan Assassinated—Roosevelt Condemns Act—Giraud Chosen Successor

Admiral Jean Darlan, French High Commissioner in Africa, was assassinated on Dec. 24 at his office in Algiers. He died while being taken to the hospital. The assassin, who was taken into custody, was said to be of French nationality, but his name was not revealed "for reasons of national security." A court-martial on Dec. 25 condemned the assassin to death and the sentence was carried out on Dec. 26.

Admiral Darlan, who was 61 years old, was given a military funeral on Dec. 26, with American, British and French leaders, attending the ceremony in the Algiers Cathedral.

Admiral Darlan, who formerly was Vichy's chief of armed forces but aligned himself with the United Nations as a result of the Allied invasion of North Africa, was succeeded on Dec. 27 by General Henri Honore Giraud, who also continues as commander of the French forces in Africa. In assuming full military and civil powers, Gen. Giraud said:

"I ask all to stand united behind me to assure, with the support of our Allies, the success of our armies. Only one thing counts: France and her empire; there is but one aim: Victory."

In a formal statement on Dec. 24, President Roosevelt denounced the assassination of Admiral Darlan as "murder in the first degree." His statement follows:

"The cowardly assassination of Admiral Darlan is murder in the first degree. All leaders of all United Nations will agree with that statement. Nazism and fascism and military despotism hold otherwise. I hope that speedy justice will overtake the murderer or murderers of Admiral Darlan."

Secretary of State Hull on Dec. 26 said the assassination was "an odious and cowardly act" but cautioned that "we be not diverted for a moment from the supreme objective in the present battle against the Axis forces for the control of the African continent and the Mediterranean." He also said that the part played by Admiral Darlan "related primarily to the military situation and was of incalculable aid to the Allied armies in the battle which is still raging."

Lieut. Gen. Dwight D. Eisenhower, Allied Commander in Chief of the North African Expeditionary Force, had made the political arrangements with Admiral Darlan for the purpose of saving lives and time.

With respect to the action of the French African people allying themselves against the Axis, President Roosevelt declared on Dec. 16 that since the landing of the Anglo-American expeditionary force in French Africa on Nov. 8, the people of North Africa "have definitely allied themselves on the side of liberalism against all for which the Axis stands in government."

The President made this comment in releasing the text of a statement by Admiral Darlan renouncing any personal ambition in leading North and West Africa against Germany and Italy and into the ranks of the United Nations. Admiral Darlan's statement, which had been communicated to the President by Lieut.-Gen. Eisenhower, said that his sole purpose was "to save French Africa, help to free France, and then retire to private life with the hope that future leaders of France may be selected by the French people themselves and by no one else."

In making public Admiral Darlan's statement, the President said in an introductory paragraph:

"Since Nov. 8 the people of North Africa have accomplished much in support of the war effort of the United Nations, and in doing so have definitely allied themselves on the side of liberalism against all for which the Axis stands in government."

The President's statement, saying that he had accepted General Eisenhower's political arrangements with Admiral Darlan as a "temporary expedient," appeared in our issue of Dec. 10, page 2071.

RFC War Activities Over $18 Billion

The war activities of the Reconstruction Finance Corporation have aggregated $18,289,576,761 as of Oct. 31 in loans, investments, purchase contracts and other commitments, Secretary of Commerce Jesse Jones disclosed on Dec. 15 in a report to President Roosevelt and Congress. The RFC war program was carried out through the activities of Defense Plant corporation, Defense Supplies Corporation, Metals Reserve Co., Rubber Reserve Company, War Damage Corporation and U. S. Commercial Co., as well as RFC itself, which owns all the capital stock of the other companies.

Associated Press Washington advices on Dec. 15 reported: Mr. Jones said the Defense Supplies Corp. had contracted with 28 companies for the operation of as many plants to produce high-octane aviation gasoline. He disclosed that nine of 12 government-financed plants for aluminum production already were in "at least partial production," under commitments totaling $737,391,674, and asserted the stock of aluminum in this country totaled more than 280,000,000 pounds, exclusive of that held by manufacturers. He said 12 to 16 government-financed magnesium plants were in some stage of operation under commitments totaling $422,074,007.

The Secretary estimated the cost of all the synthetic rubber plants and facilities at $564,361,220.

Discuss Small Business And Post-war Problems

The wartime conference of the National Retail Dry Goods Association will open at the Hotel Pennsylvania, New York City, on Jan. 11 and continue through Jan. 15. At the opening session, Senator Murray (Dem., Mont.), who is Chairman of the Senate Small Business Committee, will talk on "Must the Small Retailer Commit Suicide?"

The NRDGA has set aside one entire session (the morning of Jan. 14) to the discussion of planning now for the post-war period and has scheduled four prominent speakers to address the members.

"Regional Planning and its Effect on Distribution and the Retailing Picture," will be the first broad phase of the problem, as presented by George McAneny, of the Title Guaranty & Trust Co., and director of the Regional Planning Association, New York. This will be followed by a talk on "Preparing for the Return to Peace," by David C. Prince, Vice-President, General Electric Co., Schenectady. Leslie M. Cassidy, Vice-President and General Manager, Building Materials Department of Johns-Manville Co., will speak on "Tomorrow's Housing Opportunities." Charles Poletti, former Lieut. Governor and present interim Governor of New York State, will speak on "State Policies and Post-War Planning."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following tables:

MOODY'S BOND PRICES†
(Based on Average Yields)

1942-43— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Jan. 5	117.03	107.44	116.80	113.89	108.88	92.20	97.31	111.81	114.66
4	116.94	107.44	117.00	114.08	108.88	92.35	91.31	111.81	114.46
2	116.85	107.44	117.00	113.89	109.06	92.35	97.16	111.81	114.46
1 Exchange Closed									
Dec. 31	116.79	107.27	116.80	113.89	108.88	92.20	97.00	111.81	114.46
30	116.78	107.27	116.80	113.89	108.88	92.20	97.00	111.81	114.46
29	116.78	107.27	116.80	114.08	108.88	92.06	97.00	111.81	114.27
28	116.78	107.44	117.00	113.89	108.88	92.20	97.00	111.81	114.46
26	116.78	107.27	116.61	113.89	108.88	92.20	96.85	111.81	114.27
25 Exchange Closed									
24	116.78	107.27	116.80	113.89	108.88	92.20	96.85	111.81	114.27
23	116.78	107.27	116.80	113.89	108.70	92.20	96.85	111.81	114.27
22	116.78	107.27	116.61	113.89	108.70	92.20	96.85	111.62	114.27
21	116.78	107.27	116.80	113.89	108.88	92.20	96.85	111.81	114.46
19	116.78	107.27	116.80	113.89	108.88	92.06	96.85	111.81	114.27
18	116.78	107.27	116.61	113.89	108.88	92.06	96.85	111.61	114.27
17	116.78	107.09	116.61	113.89	108.70	91.91	96.69	111.62	114.27
16	116.78	107.09	116.61	113.89	108.88	91.77	96.54	111.62	114.27
15	116.78	107.09	116.80	113.89	108.88	91.62	96.54	111.62	114.27
14	116.78	107.09	116.80	113.70	108.88	91.62	96.54	111.81	114.27
12	116.78	107.09	116.80	113.70	108.88	91.62	96.54	111.81	114.27
11	116.78	107.09	116.80	113.89	108.88	91.62	96.54	111.81	114.27
10	116.78	107.09	116.80	113.89	108.88	91.62	96.54	111.81	114.27
9	116.78	107.09	116.80	113.89	108.88	91.62	96.54	111.81	114.27
8	116.78	107.09	116.80	113.70	108.88	91.77	96.54	111.81	114.27
7	116.78	107.27	116.80	113.89	108.88	91.77	96.54	111.81	114.27
5	116.78	107.27	116.80	113.89	108.88	91.91	96.69	111.81	114.27
4	116.78	107.27	116.80	113.70	108.88	92.06	96.69	111.81	114.27
3	116.78	107.27	116.80	113.89	108.88	91.77	96.69	111.81	114.27
2	116.78	107.27	116.80	113.89	108.88	91.77	96.54	111.81	114.27
1	116.78	107.27	116.80	113.89	108.88	91.77	96.54	111.81	114.27
Nov 27	116.85	107.27	117.00	113.89	108.88	91.91	96.54	112.00	114.66
20	117.30	107.44	117.00	114.27	108.70	92.50	97.00	112.00	114.66
13	117.36	107.62	117.20	114.27	108.70	92.50	97.16	112.19	114.46
6	117.36	107.62	117.20	114.27	108.70	92.64	97.47	112.00	114.46
Oct 30	117.38	107.44	117.00	114.08	108.70	92.50	97.31	112.00	114.27
23	117.38	107.44	117.00	114.08	108.70	92.50	97.31	111.81	114.27
16	117.37	107.44	117.00	114.08	108.70	92.50	97.31	111.81	114.46
9	117.38	107.44	117.20	114.08	108.70	92.50	97.31	111.81	114.46
2	117.39	107.27	117.00	113.89	108.52	92.35	97.16	111.81	114.27
Sep 25	117.51	107.27	117.00	113.89	108.70	92.06	97.00	111.62	114.08
Aug. 28	117.85	106.92	116.80	113.31	108.16	92.06	96.54	111.62	114.08
July 31	118.11	106.92	116.41	113.50	108.16	91.77	96.07	111.44	114.27
June 26	118.14	106.39	116.22	112.93	107.80	91.05	95.47	110.88	113.89
May 29	118.35	106.39	116.02	112.93	107.44	91.77	96.07	110.70	113.70
Apr. 24	117.80	106.74	116.22	113.12	107.62	92.06	96.69	110.70	113.70
Mar. 27	118.20	106.74	116.22	113.50	107.62	91.91	97.00	110.34	113.50
Feb. 27	116.34	106.39	115.63	113.31	107.62	91.62	96.85	110.15	113.31
Jan. 30	117.08	106.92	116.22	113.70	107 80	92.06	97.31	110.52	113.70
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
High 1941	120.05	108.52	118.60	116.02	109.60	92.50	97.78	112.56	116.41
Low 1941	115.89	105.52	116.22	112.00	106.04	89.23	95.62	109.42	111.62
1 Year ago									
Jan. 5, 1942	117.95	106.56	116.02	113.70	107.44	91.34	96.54	110.70	113.31
2 Years ago									
Jan. 4, 1941	118.51	106.39	118.00	114.46	106.56	89.78	95.92	110.15	114.27

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1942-43— Daily Averages	U. S. Govt. Bonds	Avge. Corporate	Corporate by Ratings				Corporate by Groups		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Jan. 5	2.07	3.31	2.81	2.95	3.22	4.24	3.92	3.07	2.92
4	2.07	3.31	2.80	2.95	3.23	4.25	3.92	3.07	2.93
2	2.08	3.31	2.80	2.96	3.22	4.25	3.93	3.07	2.93
1 Exchange Closed									
Dec. 31	2.08	3.32	2.81	2.96	3.23	4.26	3.94	3.07	2.93
30	2.08	3.32	2.81	2.96	3.23	4.26	3.94	3.07	2.93
29	2.08	3.32	2.81	2.95	3.23	4.27	3.94	3.07	2.94
28	2.08	3.31	2.80	2.96	2.23	4.26	3.94	3.07	2.93
26	2.08	3.32	2.82	2.96	3.23	4.26	3.95	3.07	2.94
25 Exchange Closed									
24	2.08	3.32	2.81	2.96	3.23	4.26	3.95	3.07	2.94
23	2.08	3.32	2.81	2.96	3.24	4.26	3.95	3.07	2.94
22	2.08	3.32	2.82	2.96	3.24	4.26	3.95	3.08	2.94
21	2.08	3.32	2.81	2.96	3.23	4.26	3.95	3.07	2.93
19	2.08	3.32	2.81	2.96	3.23	4.27	3.95	3.07	2.94
18	2.08	3.32	2.82	2.96	3.23	4.27	3.95	3.08	2.94
17	2.08	3.33	2.82	2.96	3.24	4.28	3.96	3.08	2.94
16	2.08	3.33	2.82	2.96	3.23	4.29	3.97	3.08	2.94
15	2.08	3.33	2.81	2.96	3.23	4.30	3.97	3.08	2.94
14	2.09	3.33	2.81	2.97	3.23	4.30	3.97	3.07	2.94
12	2.09	3.33	2.81	2.97	3.23	4.30	3.97	3.07	2.94
11	2.09	3.33	2.81	2.96	3.23	4.30	3.97	3.07	2.94
10	2.09	3.33	2.81	2.96	3.23	4.30	3.97	3.07	2.94
9	2.09	3.33	2.81	2.96	3.23	4.30	3.97	3.07	2.94
8	2.09	3.33	2.81	2.97	3.23	4.29	3.97	3.07	2.94
7	2.09	3.32	2.81	2.96	3.23	4.29	3.97	3.07	2.94
5	2.09	3.32	2.81	2.96	3.23	4.28	3.96	3.07	2.94
4	2.09	3.32	2.81	2.97	3.23	4.27	3.96	3.07	2.94
3	2.09	3.32	2.81	2.96	3.23	4.29	3.96	3.07	2.94
2	2.09	3.32	2.81	2.96	3.23	4.29	3.97	3.07	2.94
1	2.09	3.32	2.81	2.96	3.23	4.29	3.97	3.07	2.94
Nov 27	2.09	3.32	2.80	2.96	3.23	4.28	3.97	3.06	2.92
20	2.06	3.31	2.80	2.94	3.24	4.24	3.94	3.06	2.92
13	2.05	3.30	2.79	2.94	3.24	4.24	3.93	3.05	2.93
6	2.05	3.30	2.79	2.94	3.24	4.23	3.91	3.06	2.93
Oct 30	2.05	3.31	2.80	2.95	3.24	4.24	3.92	3.06	2.94
23	2.05	3.31	2.80	2.95	3.24	4.24	3.92	3.07	2.94
16	2.05	3.31	2.80	2.95	3.24	4.24	3.92	3.07	2.93
9	2.05	3.31	2.79	2.95	3.24	4.24	3.92	3.07	2.93
2	2.05	3.32	2.80	2.96	3.25	4.25	3.93	3.07	2.94
Sep 25	2.04	3.32	2.80	2.96	3.24	4.27	3.94	3.08	2.95
Aug 28	2.03	3.34	2.81	2.99	3.27	4.27	3.97	3.08	2.95
July 31	2.01	3.34	2.83	2.98	3.27	4.29	4.00	3.09	2.94
June 26	1.96	3.37	2.84	3.01	3.29	4.34	4.04	3.12	2.96
May 29	1.95	3.37	2.85	3.01	3.31	4.29	4.00	3.13	2.97
Apr. 24	1.99	3.35	2.84	3.00	3.30	4.27	3.96	3.13	2.97
Mar 27	1.96	3.35	2.84	2.98	3.30	4.28	3.94	3.15	2.98
Feb 27	2.11	3.37	2.87	2.99	3.30	4.30	3.95	3.16	2.99
Jan. 30	2.05	3.34	2.84	2.97	3.29	4.27	3.92	3.14	2.97
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
High 1941	2.13	3.42	2.86	3.06	3.39	4.47	4.03	3.20	3.08
Low 1941	1.84	3.25	2.72	2.85	3.19	4.24	3.89	3.03	2.83
1 Year ago									
Jan. 5, 1942	1.99	3.36	2.85	2.97	3.31	4.32	3.97	3.13	2.99
2 Years ago									
Jan. 4, 1941	1.96	3.37	2.75	2.93	3.36	4.43	4.01	3.16	2.94

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Sept. 17, 1942, page 995.

Average Work Week In War Industries Was About 48 Hours In October, Labor Dept. Reports

Continued lengthening of the work week in war industries raised the average scheduled work week to about 48 hours in October, Secretary of Labor Frances Perkins reported on Dec. 23. "Weekly hours actually worked in all durable manufacturing industries, where war production is largely concentrated but including also industries in which production has been restricted by the war, averaged 45.7 in October as against 44.6 in September and 45.2 in August," she said. Secretary Perkins added:

"Because the reported average weekly hours cover all wage earners on the payroll for any part of the pay period, such factors as labor turnover and absenteeism cause the reported hours actually worked to average at least two hours less than scheduled hours. In October, therefore, the average scheduled time was about 48 hours a week.

"All of the 49 durable-goods industries reported increases in the number of hours worked, more than offsetting the declines of the preceding month when many employees did not work because of Labor Day.

"Workers in 39 of these industries averaged more than 44 hours, including five war industries which averaged more than 49 hours: Machine tools (52.5), textile machinery (50.3), engines-turbines (49.7), typewriters (49.4), and firearms (49.0). Other war industries averaged 50 or more hours per week per employee: Machine-tool accessories (53.2), sewing machines (52.2), and pumps (50.0). Among the durable-goods industries only the pottery and marble-granite-slate industries averaged less than 40 hours a week.

"Time actually worked in all manufacturing industries combined averaged 43.6 hours a week, a gain of 2.7% since September and 6.0% since October a year ago. For nondurable-goods workers the average work week was 40.6 hours, an increase of 2.7% over the month interval and 4.2% over October, 1941.

"Average hourly earnings, which include overtime premiums, shift differentials, incentive bonuses, and the like, amounted to 98.8 cents for the durable-goods worker, 75.7 cents for the worker manufacturing nondurable goods (chiefly for civilian consumption), and 88.6 cents for all manufacturing wage earners combined. The gain over the year interval was largest in the durable-goods group (16%), reflecting more substantial increases in basic wage rates, expansion in industries where higher rates prevail, and more overtime work.

"Between Sept. 16 and Oct. 15 general wage-rate increases were specifically reported by 855 manufacturing plants out of a sample of about 35,000. The increases averaged 6.9% and affected about 200,000 workers, or 2% of the 9,000,000 covered. About two-thirds of the workers receiving increases were in the durable-goods industries, with workers in steel mills accounting for 46,000, in electrical machinery plants 15,000, and in machine shops and plants manufacturing machinery, 6,000. Between Oct. 16, 1941, and Oct. 15, 1942, 4,400,000 workers received wage increases in manufacturing industries, about two-thirds of whom were in plants manufacturing durable goods.

"The average weekly earnings of wage earners in the durable-goods industries were $45.27 in October, an increase of 1.8% since September and 26.1% since October a year ago. For the nondurable-goods group weekly earnings were $30.64 with gains of 3.7% over the month interval and 17.5% over the year interval. Wage earners in all manufacturing industries combined averaged $38.86 per week, 2.8% more than a month ago, and 25% more than a year ago.

"Of the 14 nonmanufacturing industries for which man-hour information is available, 10 reported gains in average weekly hours between September and October, the largest gains being in bituminous-coal mining (2.7%), quarrying and nonmetallic mining (2.1%) and metal mining (1.7%). All of the mining industries reported substantial increases over the year interval, reflecting the drive for greater production and the effort to offset manpower shortages by working longer hours. Workers on street railways and busses averaged 47.9 hours a week, in metal mining 46.3 hours, and in quarrying and nonmetallic mining 45.7.

"All of the nonmanufacturing industries covered reported gains in average hourly earnings between October 1941 and October 1942 and only one, anthracite mining, failed to report gains over the month interval. The highest average hourly earnings were in private building construction (119.8 cents), bituminous-coal mining (107.5 cents), crude oil production (103.9 cents), and electric light and power establishments (100 cents). Metal miners averaged 90.6 cents an hour, 10.9% more than a year ago." (It should be noted that manufacturing plants converted to war production are continued under their peace-time industry classifications.)

Older Woman Worker Coming Into Her Own

Although the number of women in war industry is approaching the 3,500,000 mark and managers have learned much about attracting them to factory work, employers are still finding many women reluctant to enter the plants, according to the Management Research Division of The National Industrial Conference Board. In its advices Dec. 21 regarding its survey, the Board makes the statement that "with the shortage of manpower, the older woman ,focus of discussion in the period of unemployment, is coming into her own. Employers are finding that she is proving among the most able and dependable employees on jobs formerly held by men. Some employers follow a policy of placing an older woman with each group of younger workers, as a stabilizing influence." The Board goes on to say:

"The initial excitement over glamorizing the uniform of women in industry, previously used as a drawing card to attract women to the factory, seems to have abated, according to reports from many factory executives. Many personnel directors are reconsidering the subject in the cold light of reason. They are frequently discovering to their surprise that women workers are less concerned than management has been for them—that the commonsense, practical point of view of the type of woman who seriously undertakes industrial work makes her more than a little disdainful of all the fuss made about 'attractive' work clothes. If she has a desire to appear glamorous, it is not during working hours. Her own wishes could be expressed in negatives. She does not want to appear conspicuous or ridiculous That is, if the company does not provide lockers, she resents having to wear a uniform which makes her conspicuous on the street, going to and from her home."

Pointing out that its surveys reveal that women on the whole do not yet feel the necessity for them, personally, to go to work in the factories, the Board says "In explanation of this situation, these surveys find that there is not yet any serious social pressure upon women to cause them to leave their homes. On the contrary, women still feel that they would fall in the estimation of their neighbors if they went to work in factories. Women who worked before marriage are especially hesitant about relinquishing their present status. Some would remain unemployed, and thus dependent, to postpone their husbands' induction into military service. With some, it is a matter of not knowing what skills are needed, and how to go about obtaining training."

In regard to employment procedures found by experience to be effective, the Board finds:

"The initial reception in the employment office and in the plant during the first few days is important in retaining women who are unaccustomed to factory work. The employment procedure needs to be a little less mechanized, the interviews a little less brusque than perhaps has been customary when dealing with men who are used to crisp, impersonal treatment.

"Starting new girls to work in pairs has been found a good plan in a company. Another company finds that a committee of 12 girls to look after newcomers, answer questions and give advice has helped inexperienced women through the early period of adjustment to factory work.

"If the men workers know well in advance that women are to be introduced into the plant and have time to get used to the idea the first days in the factory are made easier for the new employees. In factories where no women have been employed previously they are likely to be received with less disruption if the process is one of infiltration rather than invasion."

Committee to Advise On War Food Program

Secretary of Agriculture Wickard announced on Dec. 19 the appointment of a Food Advisory Committee to assist him in carrying out the nation's wartime food production and distribution program. The Committee will submit estimates of food requirements prior to the making of food allocations by the Agriculture Department, and otherwise consult with Mr. Wickard in administering the food program. According to the Associated Press, members of the Advisory Committee named by Mr. Wickard, who will serve as Chairman, are Major General Edmund B. Gregory, representing the War Department; Rear Admiral W. B. Young, Navy Department; Edward R. Stettinius, of the Lend-Lease Administration; Edwin W. Gaumnitz, of the Board of Economic Warfare; M. Lee Marshall, of the WPB; Abe Fortas, of the Interior Department; H. W. Parisius, Food Production Director of the Agriculture Department, and Roy F. Hendrickson, Food Distribution Director of the Agriculture Department. A representative of the State Department will be named later.

Moody's Daily Commodity Index

Tuesday, Dec. 29	239.8
Wednesday, Dec. 30	239.1
Thursday, Dec. 31	239.1
Friday, Jan. 1	*
Saturday, Jan. 2	240.2
Monday, Jan. 4	241.5
Tuesday, Jan. 5	241.2
Two weeks ago, Dec. 22	239.9
Month ago, Dec. 5	232.7
Year ago, Jan. 5	221.4
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, Jan. 4	241.5
Low, Jan. 2	240.2

*Holiday.

Selected Income And Balance Sheet Items Class I Railways For October

The Bureau of Statistics of the Interstate Commerce Commission has issued a statement showing the aggregate totals of selected income and balance sheet items for class I steam railways in the United States for the month of October and the ten months ending with October, 1942 and 1941.

These figures are subject to revision and were compiled from 132 reports representing 136 steam railways. The present statement excludes returns for Class A switching and terminal companies. The report is as follows:

	All Class I Railways			
	For the Month of October		For the Ten Months of	
Income Items—	1942	1941	1942	1941
Net ry. operat. income	$184,680,005	$94,047,045	$1,159,921,256	$850,021,278
Other income	12,980,585	12,874,888	124,881,202	124,158,775
Total income	197,660,590	106,921,933	1,284,802,458	974,180,053
Miscellaneous deductions from income	4,550,131	2,242,572	28,727,186	23,191,606
Income available for fixed charges	193,110,459	104,679,361	1,256,075,272	950,988,447
Fixed charges:				
Rent for leased roads and equipment	18,265,433	10,145,173	153,082,051	130,210,246
*Interest deductions	36,842,594	38,701,096	369,478,631	386,813,476
Other deductions	121,982	116,115	1,182,666	1,186,895
Total fixed charges	55,230,009	48,962,384	523,743,348	518,210,617
Inc. after fixed charges	137,880,450	55,716,977	732,331,924	432,777,830
Contingent charges	2,342,175	1,559,052	23,101,039	15,451,629
†Net income	135,538,275	54,157,925	709,230,885	417,326,201
Depreciation (way and structures and equip.)	23,233,861	17,814,840	207,260,805	179,726,762
Amortization of defense projects	8,629,145	1,822,103	65,710,086	2,096,908
Federal income taxes	84,878,655	14,577,479	634,384,706	159,813,030
Dividend appropriations:				
On common stock	9,075,547	2,266,668	87,629,602	83,452,632
On preferred stock	6,375,080	2,014,229	25,773,745	19,681,072
¶Ratio of income to fixed charges	3.50	2.14	2.40	1.84

	All Class I Railways Balance at End of October		Class I Railways Not in Receivership or Trusteeship Balance at End of October	
Selected Asset Items—	1942	1941	1942	1941
Investments in stocks, bonds, etc., other than those of affiliated companies	$499,535,733	$549,818,905	$478,597,140	$499,635,942
Cash	$1,066,958,777	$851,670,434	$795,429,592	$667,998,314
Temporary cash investments	603,696,667	178,775,439	530,575,342	166,406,855
Special deposits	139,743,069	229,305,816	93,155,777	176,828,330
Loans and bills receivable	985,170	1,262,103	934,423	1,060,505
Traffic and car-service balances (Dr.)	40,114,587	37,927,311	33,303,732	34,907,742
Net balance receivable from agents and conductors	145,252,435	77,541,974	118,858,016	63,669,780
Miscellaneous accounts receivable	400,647,661	174,590,948	318,337,265	135,564,838
Materials and supplies	515,739,830	424,588,179	415,534,561	341,946,292
Interest and dividends receivable	24,084,793	22,966,449	22,512,309	21,027,398
Rents receivable	1,451,327	1,587,354	1,095,612	1,171,079
Other current assets	14,266,616	10,639,340	10,844,662	9,285,841
Total current assets	2,952,940,932	2,010,855,347	2,340,581,291	1,619,866,974
Selected Liability Items—				
‡Funded debt maturing within six months	$159,951,151	$127,446,989	$127,701,103	$105,745,687
§Loans and bills payable	32,286,950	$56,883,442	$1,925,300	$2,371,613
Traffic and car-service balances (Cr.)	114,533,872	63,147,091	77,507,606	45,866,244
Audited accounts and wages payable	325,887,574	286,068,224	262,359,545	232,810,430
Miscellaneous accounts payable	66,885,175	45,663,201	47,929,962	33,300,944
Interest matured unpaid	47,653,751	33,617,508	34,543,800	29,308,739
Dividends matured unpaid	2,284,392	1,810,939	1,932,129	1,458,630
Unmatured interest accrued	80,139,025	79,687,474	67,919,230	65,972,302
Unmatured dividends declared	20,965,237	5,957,822	20,965,237	5,957,822
Unmatured rents accrued	27,098,596	26,878,782	24,624,039	24,828,953
Accrued tax liability	932,167,963	384,825,243	848,523,258	342,188,398
Other current liabilities	63,938,929	48,835,487	49,330,371	35,685,816
Total current liabilities	1,713,843,464	1,033,375,213	1,437,560,477	819,749,891
Analysis of accrued tax liability:				
U. S. Government taxes	788,901,121	251,256,060	732,742,547	235,062,457
Other than U. S. Government taxes	143,266,842	133,569,183	115,780,711	107,125,941

*Represents accruals, including the amount in default. †For railways not in receivership or trusteeship the net income was as follows: October, 1942, $108,654,892; October, 1941, $49,935,438; for the ten months ended October, 1942, $573,335,489; ten months ended October, 1941, $398,264,045. ‡Includes payments of principal of long-term debt (other than long-term debt in default) which will become due within six months after close of month of report. ¶For railways in receivership and trusteeship the ratio was as follows: October, 1942, 3.16, October, 1941, 1.40; ten months, 1942, 2.13; ten months, 1941, 1.21. §Includes obligations which mature not more than two years after date of issue.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
1942—Week Ended—					
Sept. 5	129,486	124,580	218,539	78	87
Sept. 12	106,933	101,891	222,636	65	86
Sept. 19	138,477	132,212	228,355	81	86
Sept. 26	129,503	131,173	224,926	78	86
Oct. 3	144,506	133,513	236,208	80	86
Oct. 10	147,437	131,961	248,026	80	86
Oct. 17	152,644	134,197	261,871	79	85
Oct. 24	150,133	136,249	275,139	81	85
Oct. 31	138,423	138,262	272,006	84	85
Nov 7	157,919	138,492	291,780	64	85
Nov. 14	147,815	137,355	301,088	83	85
Nov. 21	146,335	133,188	310,439	83	85
Nov. 28	136,655	124,461	321,885	77	85
Dec 5	150,132	130,761	340,203	82	85
Dec. 12	151,085	137,856	350,011	84	85
Dec. 19	136,363	134,383	350,012	85	85
Dec. 26	118,063	113,600	352,854	72	84

Note—Unfilled orders of the prior week plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Steel Production At High Pressure Activity— Order Books Healthier—Expansion Under Way

"Starting its third successive year of high pressure activity, the steel industry's ingot production this week is averaging 99%, contrasted with 96.5% one year ago and 97% at the start of 1941," says "The Iron Age" in its issue to today (Jan. 7), further adding in part: "The gain is impressive considering the higher capacity now prevailing.

"With much of the questionable tonnage cleared away, steel order books at the start of 1943 are much healthier than at any time since war began in Europe. Tonnages booked during December showed a gain over November, with steel plate orders very heavy. Rail orders have begun coming through. First quarter PRP requirements are exceptionally heavy, especially in alloy steel. The tool steel production picture is much better than at any time since war started.

"Tin plate mills, which operated at only 25% of capacity during fourth quarter of 1942, are expected to be producing at 60% during the first quarter of this year. The quota for the first quarter is around 700,000 tons, to be met in part by the utilization of new electrolytic and bonderizing units. In January at least four new electrolytic lines will be in operation, with four more scheduled to operate for the first time in February.

"Rails and tin plate occupy prominent positions in the "essential civilian" category and mills are anxious to start rolling in order to ease the load later in 1943.

"As the year opens, a substantial gain is expected in the production of alloy steel, where demand at the close of 1942 was still months ahead of shipments, despite the fact that alloy steel production rose to 13% of total steel production of 86,200,000 net tons. New electric steel capacity and an increase in alloy steel output by open hearth furnaces will take place in 1943. Steel companies which have not made alloy steel previously in open hearths are preparing to do so at the request of WPB. Additional production of alloy steel may add to the strain on finishing facilities. Rolling mill capacity which previously only handled carbon steel may be adapted to alloy steel.

"Like the transformation of the continuous strip mills which became plate mills in 1942, this year will see structural mills switch to the rolling of large rounds needed in the armament program. The new year also will see the Pacific Coast become increasingly important in the steel picture.

"Bessemer converters will be utilized to a greater extent in 1943. During 1942, there was an upward trend in the utilization of blown metal from bessemer converters. The trend started a few years ago in the using of bessemer blown metal in duplexing, synthetic scrap making and partial duplexing.

"Two of the problems which have been ever-present since war began can be expected to remain potentially dangerous this year—the scrap supply situation and the lack of balance in the armament program.

"At Washington a decision has been reached that production scheduling on a national scale is the best step that can be taken now toward winning the war. The kind of scheduling that industry may expect has not been spelled out yet by the war agencies, although the principle of scheduling is adopted by all Government agencies concerned in the new Controlled Materials Plan.

"The fact that CMP has not proceeded more rapidly is a source of chagrin to many executives who feel that it may not be possible to get the plan into full operation by July. During second quarter of 1943 only a very small section of industry may be actually operating under CMP."

The American Iron and Steel Institute on Jan. 4 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 91% of the steel capacity of the industry will be 97.0% of capacity for the week beginning Jan. 4, compared with 98.2% one week ago, 98.6% one month ago and 93.8% one year ago. This represents a decrease of 1.2 point or 1.2% from the preceding week. The operating rate for the week beginning Jan. 4 is equivalent to 1,659,400 tons of steel ingots and castings, compared to 1,679,900 tons one week ago, 1,686,700 tons one month ago, and 1,592,700 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Jan. 4 stated in part: "Entering a year scheduled to see the greatest expansion in capacity ever attempted, the steel industry is set to accomplish goals that seemed fantastic a year ago.

"The program for 1943 includes an increase of 6,833,000 tons of steel ingots over the capacity in December, 1942, to a total of 97,115,000 tons. This is a growth of 10,290,000 tons over January, 1942. Blast furnace capacity is planned to rise to 70,850,000 tons by the end of August, 1943, against 64,440,000 tons at the end of December, 1942, an increase of 6,410,000 tons.

"To accomplish this immense production necessitates a correspondingly larger supply of raw materials and plans are being laid to provide these. Ore, coke and limestone tonnage is being increased in step with steelmaking capacity.

"To match heavy war demand to this enlarged output War Production Board is putting into effect its new Controlled Materials Plan, which is expected to achieve a better balance than has been possible under other plans.

"At the turn of the year buying is relatively light because of shifts in character of war demand and imminence of the new plan of distribution. Pressure for many forms of steel continues heavy but for those under restrictions volume is light. Indications are that an intensified production to support the war will call for greatly enlarged output of many steel products while further curtailing some of those now being held near a minimum.

"Shipbuilding promises to hold its place as a leading consumer and output of plates for ships and fittings is expected to be larger than it has been in the past year. Airplane and other war equipment programs are to be greatly increased and the steel industry will feel the impact of demand to feed the enlarged manufacturing capacity.

"Current demand is well sustained, with improvement expected in January. Some accumulation of inquiry has been made and with PRP quotas coming out more freeely heavier releases may be expected.

"While scrap supply is not too plentiful in face of winter weather and shortage of labor some soft spots have developed in grades not in demand at points of origin, which must be shipped some distance to consumers in need. In such instances shading has been done to move the material. This is not widespread and does not betoken a weak market. In general, supply is sufficient for current needs and many consumers have several weeks supply in reserve, though not sufficient in most cases to tide over until cold weather is past and collections are enlarged. Meanwhile, government salvage agencies continue campaigns to obtain dormant scrap from sources requiring special treatment to make it available. Tonnages resulting from the autumn household collection are being worked over and much of this is being supplied to melters along with industrial scrap resulting from manufacturing operations.

"Restrictions on building are reflected increasingly in statistics of the fabricating industry. American Institute of Steel Construction reports November bookings were 45,972 tons, compared with 184,043 tons in November, 1941. Shipments in November were 127,052 tons, compared with 182,593 tons the preceding year. However, fabricators have 566,581 tons available for future fabrication.

"Prices start the new year with composites at the same level as a year ago, frozen by the Office of Price Administration."

US and Brazil Sign On Rubber Agreement

An agreement between the United States and Brazil was signed in Rio de Janeiro on Dec. 22 calling for a 1943 export of 50,000 tons of Brazilian rubber for North American war production.

According to Associated Press advices from Rio de Janeiro, an authorized spokesman said the agreement assured a steadily increasing flow of rubber to United States industry, adding that present war needs were so pressing that there virtually was no hope of Argentina pushing through an exchange plan. From the same advices we quote:

"Thousands of workers will be rushed into the Amazon interior, using all means of transport, to increase rubber production further.

"The accord was signed in the office of Interim National Economic Coordinator Joao Carlos Vital and provides for transporting 50,000 laborers to Amazonia by May 1, 1943, and 100,000 by the end of the year.

"Planes, trains, canoes, trucks, steamships and foot marches will be employed to transport them over the 2,000-mile distance from the Northeastern Brazilian States where the workers will be assembled to the Amazon interior where wild rubber grows in abundance.

"The production is based on an estimated two workers to each ton of rubber produced annually.

"The agreement was signed as Argentine Ambassador Adrian Escobar arrived by air after a month's stay in Buenos Aires bearing a proposal to exchange 8,000 cubic meters of Argentine-refined gasoline for an annual export of some 2,000 tons of Brazilian rubber to Argentina.

"Argentine sources argued such an agreement would relieve the present United States obligation to furnish Brazil gasoline and aid in solving the tanker shortage problem, but authorized North American and Brazilian spokesmen insisted the Argentine plan would not be realized 'because every ounce of exportable Brazilian rubber is going to the United States according to a previous agreement.'"

Automobile Financing And Diversified Financing For Month Of November

In November, 1942, the number of new passenger cars financed by sales finance companies was off 42% from the number in October of this year, according to an announcement released on Dec. 31, J. C. Capt, Director of the Census. The dollar volume of paper acquired in new passenger car financing was off 40%. In used passenger car financing, the number of cars decreased 16%, and the dollar volume of paper acquired, 17%. Compared with the preceding month, the number of new commercial cars financed was 24% less in November and the dollar volume of paper acquired, 16%. The number of used commercial cars financed decreased 23%, while the dollar volume of paper acquired was off 22%.

The volume of retail automotive outstandings held by sales finance companies was 13% less as of Nov. 30, than as of Oct. 31, 1942. The index was 157 at the end of November, 1941, but dropped to 44 at the end of this November.

Wholesale automotive paper acquired during November, 1942, by sales finance companies declined 18% in volume from October of this year for new passenger and new commercial cars, while the volume for used passenger and used commercial cars fell off 51%. The volume of outstanding balances for this type of paper decreased 5% from Oct. 31, 1942 to Nov. 30, 1942.

A comparison of the retail diversified financing by sales finance companies during November, 1942, with their respective volumes recorded in October of this year showed decreases for all types for which data are shown: 11% for radios and other musical instruments; 14% for furniture; 19% for other household appliances; 23% for residential building repair and modernization; and 26% for industrial, commercial, and farm equipment. The volume of wholesale diversified paper acquired in November was 43% below that reported for October.

As of Nov. 30, 1942, compared with Oct. 31, 1942, the volume of diversified outstanding balances held by sales finance companies decreased 7% for the retail financing of other consumers' goods; 42% for industrial, commercial, and farm equipment; and 29% for wholesale diversified financing (other than automotive).

The ratios of the paper acquired during November, 1942, to the outstanding balances as of Nov. 30, 1942, were 3% for retail automotive, 4% for wholesale automotive, 13% for wholesale—other than automotive, 4% for retail—other consumers' goods, and 4% for industrial, commercial, and farm equipment.

These data on the current trends of sales financing during November, 1942, were based on reports from 250 sales finance companies, and the dollar volumes should not be used to measure the total amount of financing by all sales finance companies in the United States. The data are published as reported without adjustment for seasonal or price fluctuations. The figures presented in tables below are not comparable to those published for previous months since monthly reports have not been received each month from identical sales finance companies. All indexes for November were obtained by calculating the percent changes from October to November, as shown by data on reports for both months from the same sales finance companies, and by linking these percentages to the indexes previously derived for October, 1942.

Sales—Finance Companies

AUTOMOTIVE AND DIVERSIFIED FINANCING

Volume of Paper Acquired During November, 1942 and Balances Outstanding November 30, 1942

Class of Paper—	Volume of paper acquired during November, 1942: By all companies	Volume of paper acquired during November, 1942: By companies reporting outstanding balances†	Outstanding balances Nov. 30, 1942†	Ratio of paper acquired to outstand'g balances‡
Total retail automotive	$12,841,270	$12,479,442	$360,119,047	3
Total wholesale automotive	6,754,541	6,695,236	188,135,898	4
Total wholesale—other than automotive	314,932	291,183	2,224,315	13
Total retail—other consum. goods	6,250,661	6,079,822	151,565,940	4
Industrial, commercial and farm equipment	292,106	280,733	6,898,430	4
Total sales financings	$26,453,510	$25,826,416	$708,943,630	4

†Data are based on figures from sales finance companies able to report both their paper acquired and their outstanding balances.

‡Ratios obtained by dividing paper acquired (column 2) by outstanding balances (column 3).

AUTOMOTIVE FINANCING *

Number of Cars Financed and Volume of Paper Acquired During November, 1942

Class of Paper—	Number of cars: Number	Number of cars: % of total	Paper acquired: Dollar Volume	Paper acquired: % of total
Total retail automotive	30,826	100	†$12,630,101	100
New passenger cars	1,553	5	1,304,278	10
New commercial cars	148	1	211,948	2
Used passenger cars	28,075	91	10,591,410	84
Used commercial cars	1,050	3	522,465	4
Total wholesale automotive	----	--	†$6,239,808	100
New cars (passenger and commercial)	----	--	4,561,222	73
Used cars (passenger and commercial)	----	--	1,678,586	27

*Data are based on reports from sales finance companies providing a breakdown of their retail and wholesale automotive financing. †These amounts are less than those reported in above table due to the exclusion of some data for which breakdowns were not available.

DIVERSIFIED FINANCING *

Volume of Paper Acquired During November, 1942

Class of Paper	Dollar Volume	% of total
Retail—other consumers' goods:		
Furniture	$339,713	10
Radios, pianos & other musical instruments	70,554	2
Refrigerators (gas and electric)	121,903	4
Other household appliances	91,835	3
Residential building repair and modernization	1,362,222	42
Miscellaneous retail	649,995	20
Total retail—other consumers' goods	†$2,636,222	81
Total wholesale—other than automotive	314,932	10
Industrial, commercial, and farm equipment	292,106	9
Total diversified financing	$3,243,260	100

*Data are based on reports from sales finance companies providing a breakdown of their retail financing of other consumers' goods. †This amount is less than that reported in first table due to the exclusion of some data for which breakdowns were not available.

Wholesale Commodity Prices Advanced 0.5% During Dec. 26 Week, Labor Bureau Reports

The Bureau of Labor Statistics, U. S. Department of Labor, announced on Dec. 31, that continued advances in primary market prices for farm commodities, particularly livestock, poultry and grains, caused the Bureau's comprehensive index of nearly 900 price series to rise one-half of 1% during the week ended Dec. 26. At 101.2% of the 1926 average the all-commodity index is more than 1% higher than at this time last month.

The Bureau's announcement further said:

"**Farm Products and Foods.**—Average prices for farm products in primary markets reached the highest level in 22 years during the past week. Livestock and poultry rose 4.4% with quotations for cows up about 5%; hogs and ewes, 3%; and lambs and steers, approximately 2%. Quotations were also substantially higher for live poultry. Grains advanced 1.6% as a result of increases of nearly 2% for corn, oats, rye, and wheat, and barley was up 1%. In addition, higher prices were reported for cotton, flaxseed, apples and sweet potatoes. Quotations were lower for citrus fruits and for potatoes in the Chicago market. In the past month farm product prices have risen 4% and are nearly 21% higher than at the end of last year.

"Led by an advance of 2% for meats, average prices for foods rose 0.4% to the highest point since the Autumn of 1928. Lamb advanced nearly 8%; fresh beef at New York, 6.5%; and dressed poultry at Chicago and New York, 3.4 and 5.1% respectively. A decline of 9% was reported in prices for mutton and quotations for oatmeal dropped 2.4%. Prices for foods in primary markets are up 1% over a month ago and are 14.7% higher than for the last week in December, 1941.

"**Industrial Commodities.**—Quoted prices for most industrial commodities continued steady. Linseed oil, oleic acid and boxboard advanced while rosin and butyl acetate declined."

The Bureau makes the following notation:

"During the period of rapid changes caused by price controls, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following table shows index numbers for the principal groups of commodities for the past 3 weeks, for Nov. 28, 1942 and Dec. 27, 1941, and the percentage changes from a week ago, a month ago, and a year ago:

(1926=100)

Commodity groups	12-26 1942	12-19 1942	12-12 1942	11-28 1942	12-27 1941	Percentage changes to Dec.26, 1942 from— 12-19 1942	11-28 1942	12-27 1941
All commodities	*101.2	*100.7	*100.5	*100.1	93.8	+0.5	+1.1	+ 7.9
Farm products	115.2	113.3	112.0	110.8	95.5	+1.7	+4.0	+20.6
Foods	104.6	104.2	104.0	103.6	91.2	+0.4	+1.0	+14.7
Hides and leather products	118.4	118.4	118.4	118.4	115.6	0	0	+ 2.4
Textile products	96.6	96.6	96.6	96.6	91.5	0	0	+ 5.6
Fuel and lighting materials	79.9	79.9	80.0	79.7	79.0	0	+0.3	+ 1.1
Metals and metal products	*103.9	*103.9	*103.9	*103.9	103.4	0	0	+ 0.5
Building materials	110.0	110.0	110.0	110.2	108.1	0	—0.2	+ 1.8
Chemicals and allied products	99.5	99.5	99.5	99.5	91.7	0	0	+ 8.5
Housefurnishing goods	104.1	104.1	104.1	104.1	102.3	0	0	+ 1.8
Miscellaneous commodities	90.4	90.4	90.3	89.9	87.4	0	+0.6	+ 3.4
Raw materials	106.6	105.4	104.7	103.7	92.5	+1.1	+2.7	+15.2
Semimanufactured articles	92.4	92.5	92.5	92.5	90.2	—0.1	—0.1	+ 2.4
Manufactured products	*100.1	*99.8	*99.8	*99.7	95.2	+0.3	+0.4	+ 5.1
All commodities other than farm products	*98.2	*98.0	*98.0	*97.8	93.4	+0.2	+0.4	+ 5.1
All commodities other than farm products and foods	*96.2	*96.2	*96.2	*96.1	93.9	0	+0.1	+ 2.4

*Preliminary.

National Fertilizer Association Commodity Price Average Again Higher

There was another advance in the general level of wholesale commodity prices last week, according to the price index compiled by The National Fertilizer Association and made public on Jan. 4. This index in the week ended Jan. 2 advanced to 132.4% of the 1935-1939 average. The index was 132.2 in the preceding week, 130.6 a month ago and 120.0 a year ago. The Association's report added:

The rise in the all-commodity index was due principally to advances in food and farm product quotations. The index of industrial commodities remained at the same level as in the preceding week. Higher prices for butter were chiefly responsible for the advance in the food price index. Although livestock prices receded, cotton and grain quotations continued to move upward, resulting in a further rise in the farm product price index. The textile index advanced to the highest point reached since May. The only group average to register a decline was the miscellaneous commodities index which fell off slightly, due to lower cattle feed prices.

During the week 7 price series included in the index advanced and 5 declined; in the preceding week there were 9 advances and 3 declines; in the second preceding week there were 16 advances and 3 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

[*1935-1939=100]

% Each Group Bears to the Total Index	Group	Latest Week Jan. 2, 1943	Preceding Week Dec. 26, 1942	Month Ago Nov. 28, 1942	Year Ago Jan. 3, 1942
25.3	Foods	136.3	135.8	134.1	116.3
	Fats and Oils	150.2	148.8	147.0	122.8
	Cottonseed Oil	164.7	164.7	160.0	144.5
23.0	Farm Products	147.5	147.0	142.1	126.2
	Cotton	190.5	187.9	182.5	168.8
	Grains	130.9	128.7	117.7	116.2
	Livestock	144.3	144.8	141.2	120.0
17.3	Fuels	119.3	119.3	119.3	113.0
10.8	Miscellaneous commodities	129.4	129.5	128.4	126.6
8.2	Textiles	149.6	149.2	148.4	142.7
7.1	Metals	104.4	104.4	104.4	104.0
6.1	Building materials	151.4	151.4	151.3	131.5
1.3	Chemicals and drugs	127.6	127.6	127.6	120.1
.3	Fertilizer materials	117.6	117.6	117.5	116.4
.3	Fertilizers	115.3	115.3	115.3	119.7
.3	Farm machinery	104.1	104.1	104.1	103.4
100.0	All groups combined	132.4	132.2	130.6	120.0

*Indexes on 1926-1928 base were Jan. 2, 1943, 103.1; Dec. 26, 1942, 103.0; Jan. 3, 1942, 93.5.

War Ration Book Two Is Now On The Presses

Eighteen printing plants scattered across the nation are rolling in full production on War Ration Book Two, the Office of Price Administration announced on Dec. 20. War Ration Book Two, which will introduce the point rationing system to the American people, will be distributed soon after the first of the year.

The OPA's announcement further said:

"The Government Printing Office, which handles OPA's printing jobs, considers the printing of 150,000,000 copies of War Ration Book Two to be the biggest job of its kind in the history of the country, if not of the world. And after the books are printed they have to be distributed to every nook and cranny of this vast land. These immense printing and distribution requirements are in themselves an important reason why rationing programs cannot be put into effect overnight.

"Before the books could be printed at all, 96 carloads of special safety paper had to be ordered, manufactured and shipped to the plants which are doing the job. This safety paper will prove a real headache to anyone foolish enough to try to counterfeit ration books. The paper used in the books can be quickly identified by any one of a number of simple secret tests that even an unskilled person can apply, if he knows the technique. It took 30 days to get this paper manufactured and shipped.

"Arranging for the actual printing of the books was an even greater task than getting the special paper. There are 192 ration stamps in each book. Multiply that by 150,000,000 books and you get almost 30,000,000,000 stamps—a figure which happens to exceed twelve years continuous production of all the postage stamps used in the United States.

"A job like that could not possibly be handled on Government presses within the 60 days allowed for printing and distribution of War Ration Book Two. So the Government Printing Office scoured the nation to find printers who could handle the job on a rush basis. It found that only 18 printers could show the capacity and were willing to produce the books in volume and even then some had to get special equipment, for the books must be printed on a press that will print, perforate and number them in a continuous operation. The first books came off the press back in November and now that the job is running, the completed books are rolling off the presses in plants in some cities at a rate as fast as 500,000 a day.

"The cities which share in the job are: Waltham, Mass.; Niagara Falls, N. Y.; Tuckahoe, N. Y.; New Rochelle, N. Y.; Hoboken, N. J.; Scranton, Pa.; Pittsburgh, Pa.; Franklin, Pa.; Baltimore, Dayton, Ohio; Norwalk, Ohio; Shelby, Ohio; Chicago (two plants), Houston, Tex.; Minneapolis, Oakland, Calif., and Los Angeles.

"As the completed books roll off the presses, they are bundled and started on their trip to the 5,500 War Price and Rationing Boards throughout the country. Altogether, shipping the books will take up the equivalent of four freight trains of 30 cars each. Distribution should be completed during January, but in connection with distribution, it is well to remember that OPA, like everyone else, is affected by the transportation shortages. If a shipment of military supplies needs the freight train that is loaded with Ration Books, OPA unloads and waits, even if it means postponing a rationing program."

Trading On New York Exchanges

The Securities and Exchange Commission made public on Dec. 28, figures showing the daily volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Dec. 12, 1942, continuing a series of current figures being published by the Commission. Short sales are shown separately from other sales in these figures, the Commission explained.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Dec. 12 (in round-lot transactions) totaled 799,175 shares, which amount was 11.15% of total transactions on the Exchange of 3,582,120 shares. This compares with member trading during the previous week ended Dec. 5 of 841,895 shares, of 13.15% of total trading of 3,199,560 shares. On the New York Curb Exchange, member trading during the week ended Dec. 21 amounted to 201,660 shares, or 14.22% of the total volume of that Exchange of 705,635 shares; during the preceding week trading for the account of Curb members of 170,880 shares was 15.10% of total trading of 598,760 shares.

The Commission made available the following data for the week ended Dec. 12:

The data published are based upon weekly reports filed with the New York Stock Exchange and the New York Curb Exchange by their respective members. These reports are classified as follows:

	N. Y. Stock Exchange	N. Y. Curb Exchange
Total number of reports received	954	657
1. Reports showing transactions as specialists	169	91
2. Reports showing other transactions initiated on the floor	125	29
3. Reports showing other transactions initiated off the floor	178	84
4. Reports showing no transactions	555	528

Note—On the New York Curb Exchange, odd-lot transactions are handled solely by specialists in the stocks in which they are registered and the round-lot transactions of specialists resulting from such odd-lot transactions are not segregated from the specialists' other round-lot trades. On the New York Stock Exchange, on the other hand, all but a fraction of the odd-lot transactions are effected by dealers engaged solely in the odd-lot business. As a result, the round-lot transactions of specialists in stocks in which they are registered are not directly comparable on the two exchanges.

The number of reports in the various classifications may total more than the number of reports received because a single report may carry entries in more than one classification.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 12, 1942

	Total for Week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	51,350	
‡Other sales	3,530,770	
Total sales	3,582,120	
B. Round-Lot Transactions for the Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	231,790	
Short sales	33,350	
‡Other sales	177,180	
Total sales	210,530	6.17
2. Other transactions initiated on the floor—		
Total purchases	106,750	
Short sales	4,230	
‡Other sales	80,370	
Total sales	84,600	2.67
3. Other transactions initiated off the floor—		
Total purchases	79,765	
Short sales	4,800	
‡Other sales	80,940	
Total sales	85,740	2.31
4. Total—		
Total purchases	418,305	
Short sales	42,380	
‡Other sales	338,490	
Total sales	380,870	11.15

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 12, 1942

	Total for Week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	4,845	
‡Other sales	700,790	
Total sales	705,635	
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	53,460	
Short sales	4,670	
‡Other sales	71,905	
Total sales	76,575	9.22
2. Other transactions initiated on the floor—		
Total purchases	11,175	
Short sales	25	
‡Other sales	8,150	
Total sales	8,175	1.37
3. Other transactions initiated off the floor—		
Total purchases	40,670	
Short sales	50	
‡Other sales	10,555	
Total sales	10,605	3.63
4. Total—		
Total purchases	105,305	
Short sales	4,745	
‡Other sales	90,610	
Total sales	95,355	14.22
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	65,380	
Total purchases	65,380	
Total sales	21,112	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†Shares in members' transactions as per cent of twice total round-lot volume. In calculating these percentages, the total members' transactions is compared with twice the total round-lot volume on the Exchange for the reason that the total of members' transactions includes both purchases and sales, while the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Non-Ferrous Metals—Trade Agreement With Mexico Reduces Duty For Lead And Zinc

Editor's Note.—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Dec. 31, stated: "Though the market for non-ferrous metals was inactive during the holiday week, producers of lead, zinc, molybdenum, and fluorspar had much to think about in the reduction in the import duties of those metals and minerals under the Mexican trade pact signed in Washington on Dec. 23. The lower rates are meaningless as a price factor under war conditions, but soon after the emergency ends producers will be forced to make necessary adjustments to face the changed conditions, particularly in reference to lead. Beginning Dec. 28, domestic antimony, ex warehouse New York, carries the 3% transportation tax, establishing the cost of the product to the buyer at a slightly higher level." The publication further went on to say:

Copper

"Though demands for copper remain high, tension in the market as the year ended was not so great as earlier in the year, owing to the forced sharp contraction in non-essential consumption of the metal. Quotations for the week on both domestic and foreign metal continued unchanged.

Lead

"Under the trade agreement with Mexico the import duty on lead will be reduced 50% and will remain at the new level until 30 days after the termination of the national emergency, at which time the duty will be established at 20% below the rates set in the Tariff Act of 1930.

"The present rates of duty for lead compare with those that will become effective in 30 days after Dec. 23, under the Mexican agreement, as follows:

	Act of 1930	(a) Mex. Agreement
Lead bullion, pigs, etc.	2.125c.	1.0625c.
Lead in ore	1.500c.	0.7500c.

(a) After the termination of the unlimited national emergency, the rate shall be 1.7c. per pound for lead in bullion, pigs, etc., and 1.2c. for lead contained in ore, flue dust, and matte.

"Lead producers in this country were disturbed about the reduction in the import tariff. The lower duty carries no weight at present, because all of the metal coming into the country from foreign sources is owned by the Metals Reserve Co., the Government's procurement agency, and there is no pressure on prices because the surplus is being stockpiled against emergency needs. However, when the 'national emergency' finally ends, the domestic lead industry will face a 20% reduction in the rates established under the Tariff Act of 1930.

"Quotations showed no change.

Zinc

"The trade agreement with Mexico, signed on Dec. 23 lowers the import duty on slab zinc and zinc contained in ore 50% from the rates imposed under the Tariff Act of 1930. This action establishes the duty at an even lower level than that arrived at in an earlier trade agreement with Canada.

"The tariff rates under the Tariff Act of 1930, the present rates established under the Canadian agreement late in 1938, and the new rates imposed under the Mexican accord, in cents per pound, follow:

	Act of 1930	Canadian Agreement	(a) Mex. Agreement
Zinc, slab	1.75c.	1.40c.	0.875c.
Zinc in ore	1.50c.	1.20c.	0.750c.
Zinc sheets	2.00c.	---	1.000c.
Zinc dross, etc.	1.50c.	---	0.750c.
Zinc oxide	1.75c.	---	1.100c.
Zinc sulphate	0.75c.	---	0.500c.

(a) New rates effective 30 days after proclamation. After "termination of the unlimited national emergency," the duties on slab zinc, zinc contained in ore, dross, and sheets will revert to duties now in effect (1.40c. on slab zinc and 1.20c. for zinc contained in ore).

"Under war conditions, with import duties on strategic metals exerting no influence on the domestic market, interest in the lower tariff centered chiefly in the post-war outlook.

"The price situation in zinc last week was unchanged.

Molybdenum

"The trade treaty with Mexico lowers the import duty on molybdenum ore and concentrate 50% to 17½c. per pound of Mo contained.

Fluorspar

"Under the trade agreement with Mexico the import duty on fluorspar containing more than 97% of calcium fluoride has been lowered from $5.60 per ton to $4.20 per ton. The duty on fluorspar containing not more than 97% calcium fluoride was reduced from $8.40 per ton to $6.30.

Tin

"Mine workers who had been on strike in the Catavi district of Bolivia since Dec. 14, returned to their jobs on Dec. 26, according to press advices from La Paz. Negotiations for final settlement of the labor difficulties are continuing and an agreement is expected soon.

"Straits quality tin for forward shipment was nominally as follows:

	Jan.	Feb.	Mar.
Dec. 24	52.000	52.000	52.000
Dec. 25		—Holiday—	
Dec. 26	52.000	52.000	52.000
Dec. 28	52.000	52.000	52.000
Dec. 29	52.000	52.000	52.000
Dec. 30	52.000	52.000	52.000

"Chinese tin, 99% grade, spot or nearby delivery, 51.125c. all week.

Antimony

"Effective Dec. 28, our ex warehouse New York quotation for antimony includes the 3% freight tax. The leading interest now quotes 15c. per pound for the metal packed in cases of 224 lb., plus $2.35 freight per case, on lots of 5 tons or more but less than a carload. This brings the total cost per pound of antimony on ex warehouse purchases in the quantities specified to 16.049c. per pound.

Quicksilver

"Quicksilver was not mentioned in the Mexican trade agreement, which leaves the duty exactly where it has been for many years.

"The trade was surprised to learn to what extent the Government has been purchasing the metal. Statisticians translated $7,521,000 expended for quicksilver into flasks and the result was interesting. Quotations in New York continued at $196@$198 per flask.

Silver

"During the last week, the silver market in London has been quiet, with the price unchanged at 23½d.

"The New York Official and the Treasury prices are also unchanged at 44¾c. and 35c., respectively."

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" as of July 31, 1942, page 380.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Dec. 28 a summary for the week ended Dec. 19, 1942, of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handle odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures, which are based upon reports filed with the Commission by the odd-lot dealers and specialists, are given below:

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE NEW YORK STOCK EXCHANGE

Week Ended Dec. 19, 1942

	Total for Week
Odd-lot Sales by Dealers: (Customers' Purchases)	
Number of Orders	19,296
Number of Shares	560,000
Dollar Value	19,768,278
Odd-lot Purchases by Dealers— (Customers' Sales)	
Number of Orders:	
Customers' short sales	123
*Customers' other sales	25,964
Customers' total sales	26,087
Number of Shares:	
Customers' short sales	3,221
*Customers' other sales	712,580
Customers' total sales	715,801
Dollar Value	18,303,147
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	160
†Other sales	276,960
Total sales	277,120
Round-lot Purchases by Dealers—	
Number of Shares	132,280

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

FDR Praises Canada For Air Training Plan

President Roosevelt paid tribute on Dec. 21 to Canada on the occasion of the third anniversary of the signing of the British Commonwealth air training agreement.

In a letter to Prime Minister W. L. Mackenzie King, made public in Ottawa, the President said that the plan "has been to a great extent Canada's responsibility and Canada's achievement."

The President's letter, as given in Canadian Press accounts from Ottawa, follows:

"I have been requested to send a word of greeting on the third anniversary of the signing of the British commonwealth air training agreement.

"This I am glad to do, for this agreement embodied one of the grand conceptions of this war, grand both in design and execution. It is a privilege for me to pay tribute to Canada on such an occasion, for the plan has been to a great extent Canada's responsibility and Canada's achievement.

"Before Pearl Harbor hundreds of our American youth, eager to share in the fight against brutal aggression, flocked to Canada, joined the RCAF, went through the training plan and qualified as air crews.

"Last December Canada, with generosity and understanding, made the way easy for the return of these fine young men to fight under their own flag if they so desired. But wherever they fight or whatever uniform they wear, they are all playing a noble part in the common struggle.

"May this great air training plan, which, as I once said on another occasion, has made Canada the airdrome of democracy, go from strength to strength.

"May it continue to send into the skies thousands of eager and courageous young fliers, until the enemy is swept from the air and lies crushed beneath the ruins of his own temple of tyrannny."

Daily Average Crude Oil Production For Week Ended Dec. 26, 1942 Declined 10,800 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Dec. 26, 1942 was 3,880,700 barrels, a decrease of 10.800 barrels from the preceding week, and 200,150 barrels per day less than during the corresponding period in 1941. The current figure is also 135,200 barrels below the daily average figure for the month of December, 1942, as recommended by the Office of Petroleum Administration for War. Daily production for the four weeks ended Dec. 26, 1942, averaged 3,871,900 barrels. Further details as reported by the Institute follow:

Reports received from refining companies owning 85.8% of the 4,790,000 barrel estimated daily potential refining capacity of the United States, indicate that the industry as a whole ran to stills, on a Bureau of Mines' basis, 3,525,000 barrels of crude oil daily during the week ended Dec. 26, 1942, and that all companies had in storage at refineries, at bulk terminals, in transit and in pipe lines as of the end of that week, 80,228,000 barrels of finished and unfinished gasoline. The total amount of gasoline produced by all companies is estimated to have been 10,220,000 barrels during the week ended Dec. 26, 1942.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P.A.W. Recommendations December	*State Allowables Beginning Dec. 1	—Actual Production— Week Ended Dec. 26 1942	Change From Previous Week	4 Weeks Ended Dec. 26 1942	Week Ended Dec. 27 1941
Oklahoma	403,900	403,900	†354,850	— 2,300	356,350	419,650
Kansas	300,700	300,700	†295,900	— 9,800	293,050	256,650
Nebraska	3,400	------	†3,000	----	3,000	5,350
Panhandle Texas			93,200	----	92,950	88,050
North Texas			139,900	----	137,800	139,300
West Texas			209,300	----	208,950	291,600
East Central Texas			101,500	----	100,950	86,850
East Texas			358,600	----	358,350	369,100
Southwest Texas			174,000	----	174,250	216,200
Coastal Texas			313,650	----	313,350	292,250
Total Texas	1,350,400	‡1,470,653	1,390,150	----	1,386,600	1,483,350
North Louisiana			92,600	+ 2,450	91,950	82,200
Coastal Louisiana			223,000	----	223,050	277,800
Total Louisiana	326,100	337,600	315,600	+ 2,450	315,050	360,000
Arkansas	77,300	73,461	73,350	— 350	73,650	73,500
Mississippi	50,000		†56,550	— 2,550	58,950	73,150
Illinois	274,100		234,800	— 4,200	244,000	393,400
Indiana	17,700		†14,850	+ 150	15,450	19,950
Eastern (Not incl. Ill. & Ind.)	107,600		87,000	— 1,800	89,100	89,550
Michigan	63,800		59,800	+ 900	59,550	56,800
Wyoming	94,500		89,900	— 1,400	90,850	86,000
Montana	24,700		22,550	— 100	22,600	22,600
Colorado	7,000		6,950	+ 600	6,700	5,350
New Mexico	99,700	99,700	93,350	----	94,500	118,850
Total East of Calif	3,200,900		3,098,600	—18,400	3,109,350	3,464,150
California	815,000	§815,000	782,100	+ 7,600	762,500	616,700
Total United States	4,015,900		3,880,700	—10,800	3,871,900	4,080,850

*P.A.W. recommendations and state allowables represent the production of all petroleum liquids, including crude oil, condensate and natural gas derivatives recovered from oil, condensate and gas fields. Past records of production indicate, however, that certain wells may be incapable of producing the allowables granted, or may be limited by pipeline proration. Actual state production would, under such conditions, prove to be less than the allowables. The Bureau of Mines reported the daily average production of natural gasoline and allied products in September, 1942, as follows: Oklahoma 30,200; Kansas 5,100; Texas 104,900; Louisiana 20,500; Arkansas 3,000; Illinois 9,400; Eastern (not including Illinois and Indiana) 9,000; Michigan 100; Wyoming 2,400; Montana 300; New Mexico 6,000; California 42,400.

†Oklahoma, Kansas, Nebraska, Mississippi, Indiana figures are for week ended 7 a.m. Dec. 23.

‡This is the net basic allowable as of Dec. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 4 to 16 days, the entire state was ordered shut down for 9 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 9 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE AND GAS AND FUEL OIL, WEEK ENDED DEC. 26, 1942

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	Gasoline Production at Refineries Includ. Natural Blended	Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,430	88.1	1,577	64.9	4,670	36,769	22,844	13,356
Appalachian	176	84.8	153	86.9	424	2,741	744	462
Ind., Ill., Ky.	804	84.9	684	85.1	2,203	14,636	5,606	2,049
Okla., Kansas, Mo.	416	80.1	341	82.0	1,134	6,229	1,913	1,333
Rocky Mountain	147	48.0	99	67.3	297	1,508	354	552
California	817	89.9	671	82.1	1,492	18,345	12,338	55,210
Tot. U. S. B. of M. basis Dec. 26, 1942	4,790	85.8	3,525	73.6	10,220	†80,228	43,799	72,962
Tot. U. S. B. of M. basis Dec. 19, 1942	4,790	85.8	3,667	76.6	10,875	79,131	45,880	74,205
U. S. Bur. of Mines basis Dec. 27, 1941			4,103		14,078	92,806	50,806	94,216

*At the request of the Office of Petroleum Administration for War. †Finished 71,337,000 bbls.; unfinished 8,891,000 bbls. ‡At refineries, at bulk terminals, in transit, and in pipe lines.

Weekly Coal and Coke Production Statistics

The Bituminous Coal Division, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Dec. 26—Christmas week—is estimated at 8,600,000 net tons, a decrease of 2,880,000 tons, or 25.1%, from the preceding week. Output during the Christmas week in 1941 amounted to 8,422,000 tons. The production of soft coal for the year to Dec. 26, 1942, shows an increase of 12.7% over the same period in 1941.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Dec. 26 was estimated at 774,000 tons, a decrease of 340,000 tons (30.5%) from the preceding week. When compared with the output in the corresponding week of 1941, there was a decrease of 97,000 tons, or 11.1%. The calendar year to Dec. 26 shows a gain of 6.3%.

The U. S. Bureau of Mines also reports that the estimated production of byproduct coke in the United Sttes for the week ended Dec. 26 showed a decrease of 5,000 tons when compared with the output for the week ended Dec. 19. The quantity of coke from beehive ovens decreased 23,400 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL
In Net Tons (000 omitted)

Bituminous and lignite coal—	—Week Ended— Dec. 26, 1942	Dec. 19, 1942	Dec. 27 1941	—January 1 to Date— †Dec. 26, 1942	Dec. 27, 1941	Dec. 25, 1937
Total incl. mine fuel	8,600	11,480	8,422	569,053	504,939	439,355
Daily average	*1,720	1,913	1,684	1,889	1,681	1,460

*Average based on 5 days. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

Penn. anthracite—	—Week Ended— §Dec. 26, 1942	Dec. 19, 1942	Dec. 27, 1941	—Calendar Year to Date— Dec. 26, 1942	Dec. 27, 1941	Dec. 28, 1929
*Total incl. colliery fuel	774,000	¶1,114,000	871,000	¶59,217,000	55,729,000	73,227,000
†Commercial production	743,000	¶1,069,000	827,000	¶56,848,000	52,943,000	67,955,000
Beehive coke— United States total	131,400	154,800	154,800	7,826,300	6,629,000	6,368,800
By-product coke— United States total	1,218,900	1,223,900	‡	61,228,900	‡	‡

*Includes washery and dredge coal, and coal shipped by truck from authorizeo operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	—Week Ended— Dec. 19, 1942	Dec. 12, 1942	Dec. 20, 1941	Dec. 21, 1940	Dec. 18, 1937	Dec. avge. ¶1923
Alaska	6	5	5	3	3	**
Alabama	390	383	377	353	307	349
Arkansas and Oklahoma	98	97	81	103	119	83
Colorado	188	191	166	202	192	253
Georgia and North Carolina	1	1	1	1	1	**
Illinois	1,331	1,335	1,289	1,298	1,417	1,535
Indiana	512	516	533	506	495	514
Iowa	64	62	75	88	100	121
Kansas and Missouri	200	193	171	190	183	159
Kentucky—Eastern	910	942	805	743	770	584
Kentucky—Western	305	305	247	227	262	204
Maryland	28	29	39	36	35	37
Michigan	7	8	9	8	12	21
Montana (bituminous and lignite)	116	111	80	75	69	64
New Mexico	38	39	30	30	33	56
North and South Dakota (lignite)	86	86	65	73	69	**27
Ohio	700	705	673	485	555	599
Pennsylvania (bituminous)	2,600	2,695	2,690	2,492	1,661	2,818
Tennessee	143	144	150	130	108	103
Texas (bituminous and lignite)	8	9	5	10	20	21
Utah	128	126	103	121	89	100
Virginia	382	395	389	311	272	193
Washington	52	50	39	46	38	57
*West Virginia—Southern	2,125	2,174	2,187	1,743	1,619	1,132
†West Virginia—Northern	860	863	798	666	568	692
Wyoming	202	201	156	164	142	173
‡Other Western States	††	††	††	1	††	**5
Total bituminous and lignite	11,480	11,665	11,163	10,105	9,139	9,900
§Pennsylvania anthracite	1,119	1,101	1,094	1,187	1,216	1,806
Total all coal	12,599	12,766	12,257	11,292	10,355	11,706

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, Idaho, and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "other Western States." ††Less than 1,000 tons.

Engineering Construction Gains Top Year Ago And Preceding Week

Engineering construction volume for the short week due to the early closing for the New Year holiday totals $76,295,000, a gain of 129% over the volume for the short preceding week, and 39% above the total for the week ending Jan. 1, 1942, as reported by "Engineering News-Record" on Dec. 31. Private volume is almost six times as great as in the preceding week, but is 12% under the opening 1942 week's total. Public work tops a week ago by 123% and is 42% above a year ago as a result of the respective 111 and 98% increases in federal work. The report continued as follows:

Engineering construction for the 53 weeks of 1942, $9,305,829,000 compares with $5,868,699,000 for the 52-week period in 1941, an increase of 56% when adjusted for the difference in the number of weeks reported. Private construction, $555,823,000, is 54% lower than a year ago on the weekly average basis, but public work, $8,750,006,000, is 83% higher due to the 131% climb in federal construction.

Construction volumes for the opening 1942 week, last week and this week are:

	Jan. 1, 1942 (four days)	Dec. 24, 1942 (four days)	Dec. 31, 1942 (four days)
Total Construction	$55,032,000	$33,377,000	$76,295,000
Private Construction	3,387,000	513,000	2,985,000
Public Construction	51,645,000	32,864,000	73,310,000
State and Municipal	17,509,000	813,000	5,727,000
Federal	34,136,000	32,051,000	67,583,000

In the classified construction groups, gains over the preceding week are in bridges, industrial, commercial and public buildings, earthwork and drainage, streets and roads, and unclassified construction. Increases over the week ending Jan. 1, 1942, are in waterworks, public buildings, and unclassified construction. Subtotals for the week in each class of construction are: waterworks, $974,000; sewerage, $559,000; bridges, $387,000; industrial buildings, $841,000; commercial building and large-scale private housing, $2,029,000; public buildings, $26,303,000; earthwork and drainage, $98,000; streets and roads, $5,731,000; and unclassified construction, $39,373,000.

New capital for construction purposes for the final 1942 week totals $207,000, entirely in state and municipal bond sales.

New construction financing for the 53 weeks of 1942 reaches $10,219,318,000, an increase of 27% over the $7,895,129,000 reported for the 52-week period last year.

Sees National Income Above $117 Billion

Secretary of Commerce Jesse Jones estimated on Dec. 19 that this year's national income would exceed $117,000,000,000, nearly three times the depression low, and that next year it would climb to $135,000,000,000.

Part of the $22,000,000,000 gain over 1941 can be attributed to higher prices, Mr. Jones said in a statement, "but the major share represents an increased volume of productive activity."

Associated Press Washington advices of Dec. 19, in indicating this, added:

"The estimate for this year compares with the 1929 income of $83,265,000,000, a record until last year, and the 1932 mark of $39,991,000,000 since when the national income has climbed each year except 1938. President Roosevelt set a $100,000,000,000 income as the goal for recovery from the depression.

"Last March the Commerce Department had estimated this year's income at $113,000,000,000.

"The largest dollar volume increase during 1942 is anticipated for wages and salaries, which Mr. Jones said would exceed $80,000,000,000, compared with $61,000,000,000 last year.

"The largest percentage gain was his estimate of 45% for agricultural net income which Jones attributed to higher farm prices.

"The income of business concerns may drop 5 or 6% from 1941 levels because of increased taxes, Mr. Jones said, adding that it was difficult to estimate their net earnings for next year in view of uncertainties over new taxes and possible industrial shifts due to the war. One favorable factor for the corporations, he said, is that conversion of most durable goods plants to war production will have been completed and they need not expect interruptions due to changeover from civilian production such as occurred in many plants this year.

"No actual dollar estimates were given for farm and business net income for 1942.

"The sharp upswing in national income this year, the commerce chief said, is even more significant because it came on top of a record-breaking total of goods and services produced the previous year, and because it was achieved in spite of the necessity of converting many industrial plants from civilian goods production to war production in the course of the year.

"He attributed the sharp rise in wages and salaries to the substantial gain in total employment, longer hours of work and higher wages.

"This upward trend of total wages and salaries," Mr. Jones said, must continue in 1943 as the total of military and civilian employment continues to expand and as extensions are made in the average work week, even if there is substantial wage stabilization during the year ahead."

Convention Cut Urged

Abandonment of meetings and conventions that will not contribute to winning the war was urged on Dec. 15 by Joseph B. Eastman, Director of the Office of Defense Transportation, Washington advices to the New York "Times" said.

"Responding to requests for ODT's attitude on the holding of conventions involving intercity travel, Mr. Eastman declared that individual associations must make their own decisions. He indicated, however, that no such gatherings would be justified, in view of war burdens on the transportation system, unless they would help to shorten the war."

Revenue Freight Car Loadings During Week Ended Dec. 26 Amounted To 591,595 Cars

Loading of revenue freight for the week ended Dec. 26 totaled 591,595 cars, the Association of American Railroads announced on Jan. 2. This was a decrease of 14,907 cars or 2.5% below the corresponding week in 1941, but an increase of 46,288 cars or 8.5% above the same week in 1940. Loading of revenue freight for the week of Dec. 26 was a decrease of 151,316 cars or 20.4% below the preceding week. The Association further reported as follows:

Miscellaneous freight loading for the Dec. 26 week totaled 290,248 cars, a decrease of 68,650 cars below the preceding week, but an increase of 9,973 cars above the corresponding week in 1941.

Loading of merchandise less than carload lot freight totaled 72,492 cars, a decrease of 14,655 cars below the preceding week, and a decrease of 50,644 cars below the corresponding week in 1941.

Coal loading amounted to 121,331 cars, a decrease of 42,194 cars below the preceding week, but an increase of 8,465 cars above the corresponding week in 1941.

Grain and grain products loading totaled 39,449 cars, a decrease of 8,116 cars below the preceding week, but an increase of 10,063 cars above the corresponding week in 1941. In the Western Districts alone, grain and grain products loading for the week of Dec. 26, totaled 27,002 cars, a decrease of 5,751 cars below the preceding week, but an increase of 8,523 cars above the corresponding week in 1941.

Live stock loading amounted to 11,443 cars, a decrease of 4,218 cars below the preceding week, but an increase of 1,745 cars above the corresponding week in 1941. In the Western Districts alone, loading of live stock for the week of Dec. 26, totaled 8,270 cars a decrease of 3,135 cars below the preceding week, but an increase of 1,117 cars above the corresponding week in 1941.

Forest products loading amounted to 31,063 cars, a decrease of 10,433 cars below the preceding week, but an increase of 4,578 cars above the corresponding week in 1941.

Ore loading amounted to 11,882 cars, a decrease of 1,973 cars below the preceding week, but an increase of 423 cars above the corresponding week in 1941.

Coke loading amounted to 13,687 cars, a decrease of 1,077 cars below the preceding week, but an increase of 400 cars above the corresponding week in 1941.

All districts reported decreases compared with the corresponding weeks in 1941, except the Pocohontas, Southern, Centralwest and Southwest, but all districts reported increases above the corresponding week in 1940 except the Eastern.

Loading of revenue freight on the railroads of the United States in 1942 totaled 42,818,739 cars. Although this was an increase of 528,975 cars or only 1.3% over the preceding year, ton-miles increased nearly 33% due to the heavier loading of cars and the longer haul per ton. Carloadings were an increase of 6,460,885 cars or 17.8% compared with 1940.

	1942	1941	1940
Five weeks of January	3,858,273	3,454,409	3,215,565
Four weeks of February	3,122,773	2,866,565	2,465,685
Four weeks of March	3,171,439	3,066,011	2,489,280
Four weeks of April	3,351,038	2,793,630	2,495,212
Five weeks of May	4,170,713	4,160,060	3,351,840
Four weeks of June	3,385,769	3,510,057	2,896,953
Four weeks of July	3,321,568	3,413,435	2,822,450
Five weeks of August	4,350,948	4,463,372	3,717,933
Four weeks of September	3,503,658	3,540,210	3,135,122
Five weeks of October	4,512,046	4,553,007	4,064,273
Four week of November	3,236,051	3,423,038	2,985,626
Week of Dec. 5	759,621	833,375	738,513
Week of Dec. 12	740,336	807,225	736,340
Week of Dec. 19	742,911	798,868	697,755
Week of Dec. 26	591,595	606,502	545,307
Total	42,818,739	42,289,764	36,357,854

Total loadings by commodities in 1942 compared with 1941 follow:

	1942	1941	% Change
Grain and grain products	2,180,348	2,022,609	+ 7.8
Live Stock	744,400	650,479	+14.4
Coal	8,361,393	7,590,833	+10.2
Coke	731,299	677,449	+ 7.9
Forest Products	2,450,204	2,186,999	+12.0
Ore	3,011,784	2,682,325	+12.3
Merchandise, L.C.L.	5,584,736	8,041,503	—30.6
Miscellaneous	19,754,575	18,437,567	+ 7.1
Total	42,818,739	42,289,764	+ 1.3

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Dec. 19, 1942. During this period only 40 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS—WEEK ENDED DEC. 19

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
Eastern District—					
Ann Arbor	247	589	553	1,304	1,611
Bangor & Aroostock	1,616	1,624	1,255	198	201
Boston & Maine	5,450	8,295	7,633	12,570	13,971
Chicago, Indianapolis & Louisville	1,409	1,467	1,390	1,999	2,506
Central Indiana	31	24	25	54	43
Central Vermont	1,006	1,528	1,307	1,965	2,510
Delaware & Hudson	5,760	6,173	5,702	11,525	11,144
Delaware, Lackawanna & Western	6,541	9,100	8,868	9,485	9,281
Detroit & Mackinac	298	438	299	120	151
Detroit, Toledo & Ironton	1,544	2,471	2,766	1,629	1,845
Detroit & Toledo Shore Line	244	335	399	3,495	4,147
Erie	10,808	14,471	13,545	16,357	15,623
Grand Trunk Western	3,500	5,057	5,918	8,445	9,145
Lehigh & Hudson River	201	190	170	2,686	2,785
Lehigh & New England	1,687	1,753	1,902	1,626	1,598
Lehigh Valley	8,118	9,032	9,166	11,286	10,203
Maine Central	2,052	3,258	3,029	3,097	3,184
Monongahela	5,874	6,113	4,131	331	434
Montour	2,302	1,716	1,701	19	33
New York Central Lines	41,300	47,437	43,690	52,477	49,507
N. Y., N. H. & Hartford	8,165	12,325	10,484	16,235	16,002
New York, Ontario & Western	869	1,082	1,126	2,033	2,480
New York, Chicago & St. Louis	6,456	6,518	5,158	16,039	14,633
N. Y., Susquehanna & Western	407	537	403	2,006	1,638
Pittsburgh & Lake Erie	7,108	8,271	7,692	7,567	6,642
Pere Marquette	4,994	5,756	6,308	7,393	6,658
Pittsburg & Shawmut	717	601	565	23	46
Pittsburg, Shawmut & North	317	392	444	263	274
Pittsburgh & West Virginia	934	823	829	3,466	2,557
Rutland	271	540	542	833	1,089
Wabash	5,301	6,232	5,485	12,738	11,522
Wheeling & Lake Erie	4,909	4,515	3,774	5,490	4,264
Total	140,436	168,713	156,259	214,784	207,727
Allegheny District—					
Akron, Canton & Youngstown	705	581	547	1,021	1,078
Baltimore & Ohio	35,286	37,760	32,628	27,089	21,754
Bessemer & Lake Erie	2,479	2,960	3,099	1,935	1,292
Buffalo Creek & Gauley	290	331	239	5	7
Cambria & Indiana	1,756	1,991	1,906	6	8
Central R. R. of New Jersey	6,344	7,426	6,974	20,089	16,282
Cornwall	624	570	634	51	58
Cumberland & Pennsylvania	231	327	288	23	36
Ligonier Valley	124	114	173	50	49
Long Island	1,013	788	740	3,108	3,166
Penn-Reading Seashore Lines	1,547	1,741	1,157	2,057	1,816
Pennsylvania System	68,696	78,751	66,570	57,256	*52,396
Reading Co.	13,496	16,079	15,667	27,763	24,592
Union (Pittsburgh)	20,119	20,514	19,953	3,960	3,413
Western Maryland	3,538	4,391	3,804	12,999	9,955
Total	156,248	174,324	154,379	157,412	135,902
Pocahontas District—					
Chesapeake & Ohio	26,293	25,135	20,862	10,878	10,570
Norfolk & Western	21,260	22,367	19,223	6,532	5,868
Virginian	4,616	4,792	4,332	2,283	2,242
Total	52,169	52,294	44,417	19,693	18,680
Southern District—					
Alabama, Tennessee & Northern	404	447	305	294	226
Atl. & W. P.—W. R. R. of Ala.	691	863	775	2,427	2,109
Atlanta, Birmingham & Coast	659	788	660	1,608	1,408
Atlantic Coast Line	13,438	11,974	11,061	9,656	7,685
Central of Georgia	3,831	4,328	4,042	4,235	4,236
Charleston & Western Carolina	387	475	404	1,527	1,783
Clinchfield	1,303	1,912	1,417	3,091	3,104
Columbus & Greenville	372	284	341	270	348
Durham & Southern	92	187	188	435	533
Florida East Coast	1,967	1,097	958	1,521	1,064
Gainesville Midland	44	32	29	72	85
Georgia	1,312	1,427	960	2,317	2,643
Georgia & Florida	343	386	385	535	757
Gulf, Mobile & Ohio	3,798	4,165	3,434	4,280	3,600
Illinois Central System	26,378	28,526	21,870	17,010	15,476
Louisville & Nashville	24,442	25,510	28,271	10,859	8,342
Macon, Dublin & Savannah	191	210	144	940	881
Mississippi Central	166	165	119	401	392
Nashville, Chattanooga & St. L.	3,137	3,722	3,009	4,299	3,526
Norfolk Southern	824	1,061	1,077	1,432	1,387
Piedmont Northern	334	488	406	1,303	1,761
Richmond, Fred. & Potomac	363	561	354	10,010	6,866
Seaboard Air Line	10,396	10,796	10,695	9,138	7,314
Southern System	21,518	25,393	22,497	24,470	21,325
Tennessee Central	552	664	461	737	720
Winston-Salem Southbound	127	138	147	880	846
Total	117,069	125,599	109,010	113,747	98,417
Northwestern District—					
Chicago & North Western	14,319	17,551	14,950	13,669	14,140
Chicago Great Western	2,456	2,962	2,336	3,264	3,393
Chicago, Milw., St. P. & Pac.	19,385	22,685	19,840	9,652	9,400
Chicago, St. Paul, Minn. & Omaha	3,754	4,619	3,955	3,511	4,255
Duluth, Missabe & Iron Range	1,142	972	881	291	363
Duluth, South Shore & Atlantic	635	655	630	653	506
Elgin, Joliet & Eastern	8,078	10,943	9,515	11,080	10,765
Ft. Dodge, Des Moines & South	451	515	336	*126	125
Great Northern	11,905	12,968	9,755	5,368	4,169
Green Bay & Western	*533	564	452	*792	746
Lake Superior & Ishpeming	243	272	254	36	61
Minneapolis & St. Louis	2,040	1,972	1,557	2,137	2,428
Minn., St. Paul & S. S. M.	4,944	5,884	5,004	3,172	3,184
Northern Pacific	10,690	11,625	9,879	4,936	4,424
Spokane International	122	83	97	643	267
Spokane, Portland & Seattle	1,851	2,545	1,993	3,296	2,155
Total	82,548	96,815	81,434	62,626	60,381
Central Western District—					
Atch., Top. & Santa Fe System	22,364	22,056	17,601	11,643	9,965
Alton	3,176	3,562	2,728	4,731	2,958
Bingham & Garfield	773	584	422	84	104
Chicago, Burlington & Quincy	17,882	18,110	16,133	11,266	10,789
Chicago & Illinois Midland	2,444	2,804	2,797	917	864
Chicago, Rock Island & Pacific	12,173	12,676	10,513	12,072	11,043
Chicago & Eastern Illinois	2,433	2,878	2,778	5,339	3,226
Colorado & Southern	1,048	712	722	1,811	1,539
Denver & Rio Grande Western	4,142	3,618	3,902	5,237	4,111
Denver & Salt Lake	749	678	885	9	11
Fort Worth & Denver City	1,040	1,231	725	1,184	1,372
Illinois Terminal	1,646	2,016	1,713	1,680	1,735
Missouri-Illinois	977	1,104	814	450	408
Nevada Northern	2,152	1,910	1,820	104	140
North Western Pacific	995	847	678	619	432
Peoria & Pekin Union	11	33	18	0	0
Southern Pacific (Pacific)	28,537	25,711	22,996	11,706	9,137
Toledo, Peoria & Western	434	338	349	1,850	153
Union Pacific System	15,716	16,068	14,215	14,601	11,818
Utah	678	505	590	2	5
Western Pacific	2,488	2,217	1,485	3,571	2,644
Total	121,858	119,658	103,884	88,876	72,454
Southwestern District—					
Burlington-Rock Island	164	186	105	280	312
Gulf Coast Lines	5,484	3,565	2,622	2,215	2,198
International-Great Northern	3,383	1,996	1,551	2,975	2,547
Kansas, Oklahoma & Gulf	450	218	197	963	1,143
Kansas City Southern	4,800	2,852	2,269	2,713	2,992
Louisiana & Arkansas	4,027	2,653	2,270	2,175	2,217
Litchfield & Madison	288	417	362	985	1,131
Midland Valley	855	648	701	250	302
Missouri & Arkansas	126	192	117	359	414
Missouri-Kansas-Texas Lines	6,296	5,023	3,759	5,098	3,912
Missouri Pacific	16,384	18,049	14,152	18,981	12,875
Quanah Acme & Pacific	114	175	93	230	177
St. Louis-San Francisco	9,007	9,386	7,903	8,308	7,327
St. Louis Southwestern	2,832	3,305	2,444	5,486	3,769
Texas & New Orleans	12,944	8,267	6,153	4,921	4,833
Texas & Pacific	5,328	4,379	3,501	7,673	6,292
Wichita Falls & Southern	86	143	160	34	55
Weatherford M. W. & N. W.	14	11	13	37	92
Total	72,583	61,465	48,372	63,683	52,588

*Previous week's figure.
Note—Previous year's figures revised.

President Says This Christmas Is Happier Than Last Because Axis Confidence Wanes

President Roosevelt, in his Christmas Eve radio address to the nation and the world, expressed on Dec. 24, the thought that, while he could not say "Merry Christmas," he could express the thought that this is a happier Christmas than last year in the sense that the forces of darkness stand against us with less confidence in the success of their evil ways."

Mr. Roosevelt's message was broadcast from the south portico of the White House at the dedication of the National Community Christmas Tree.

The President's address follows:

"This year, my friends, I am speaking on Christmas Eve not to this gathering at the White House only but to all of the citizens of our nation, to the men and women serving in our American armed forces and also to those who wear the uniforms of the other United Nations.

"I give you a message of cheer. I cannot say 'Merry Christmas,' for I think constantly of those thousands of soldiers and sailors who are in actual combat throughout the world, but I can express to you my thought that this is a happier Christmas than last year, happier in the sense that the forces of darkness stand against us with less confidence in the success of their evil ways.

"To you who toil in industry and in offices, toil for the common cause of helping to win the war, I send a message of cheer, that you can well continue to sacrifice without recrimination and with a look of Christmas cheer, a kindly spirit toward your fellow men.

"To you who serve in uniform I also send a message of cheer, that you are in the thoughts of your families, your friends at home, and that Christmas prayers follow you wherever you may be.

"To all Americans I say that loving your neighbor as we love ourselves is not enough, that we as a nation and as individuals will please God best by showing regard for the laws of God. There is no better way at this Christmastide or any other time of fostering good will toward man than by first fostering good will toward God. If we love Him we will keep his Commandments.

"In sending Christmas greetings to the armed forces and the merchant sailors of the United States, we include therein our pride in their bravery on the fighting fronts and on all the seas. But we remember in our greetings and in our pride those other men who guard remote islands and bases and will, in all probability, never come into active combat with the common enemy. They are stationed in distant places, far from home. They have few contacts with the outside world, and I want them to know that their work is essential to the conduct of this war, essential to the ultimate victory, and that we have not forgotten them.

"It is significant that tomorrow—Christmas Day—our plants and factories will be stilled. That is not true now of the other holidays that we have long been accustomed to celebrate. On all other holidays the work goes on, gladly, for the winning of the war. And so Christmas Day becomes the only holiday in all the year.

"I like to think that this is so because Christmas is a holy day. May all that it stands for live and grow through all the years."

Special Month-End Report Of War Bond Sales Ended

Allan Sproul, President of the Federal Reserve Bank of New York, in a circular to the banking institutions in the District Dec. 16 called attention to the Bank's circular, dated Sept. 24, in which reference was made "to the request of the Treasury Department that all banking institutions qualified as issuing agents of United States War Savings Bonds, Series E, regardless of the reporting schedule otherwise being followed by them, submit a month-end report of sales accompanied by a remittance which should be mailed in sufficient time to be received by the Federal Reserve Banks on the next-to-the-last business day of the month."

Mr. Sproul now says "the Treasury Department has now advised us that such special month-end reports and remittances may be discontinued and, therefore, banking institutions will no longer be required to remit except in accordance with their regular reporting schedules."

Items About Banks & Trust Companies

(Continued from page 67)

$26,000,000, respectively, while undivided profits total $2,095,561, compared with $2,902,986 on Dec. 31, 1941.

Bank of the Manhattan Company of New York reported as of Dec. 31, 1942 total deposits of $939,412,515 and total assets of $994,537,627 compared respectively with $851,309,191 and $907,773,106 as of Sept. 30, 1942. Cash on hand and due from banks amounted at the end of the year to $279,474,550 against $245,401,761, while holdings of United States Government obligations are shown as $424,370,613 against $355,653,004. Loans and discounts decreased to $221,112,160 from $226,777,361. Capital and surplus are unchanged at $20,000,000 and $20,000,000 respectively. Undivided profits after reserve of $400,000 for quarterly dividend, and $200,000 for special dividend increased to $8,558,884 from $8,217,211 at the end of September.

The First National Bank of the City of New York, in its report of condition at the close of business Dec. 31, 1942, shows total resources of $1,014,254,349 and total deposits of $887,300,349, compared with $962,710,227 and $837,545,082, respectively, on Dec. 31, 1941. Cash and due from Federal Reserve Bank and other banks, including exchanges, is listed at $195,270,184, against $296,986,908 a year ago; holdings of United States obligations, $620,757,312, compared with $458,194,913, and loans and discounts, $70,541,163, against $50,570,193. Capital and surplus remain unchanged at $10,000,000 and $100,000,000, respectively. Undivided profits are given as $12,044,415, after making provision for the Jan. 2 dividend of $2,000,000, compared with $10,278,417 on Dec. 31, 1941, after providing the same dividend last year.

The statement of condition of the Brooklyn Trust Co. of Brooklyn, N. Y., as of Dec. 31, 1942, shows surplus of $4,675,000, an increase of $25,000 from the total of $4,650,000 shown on Sept. 30, 1942. Undivided profits are now $1,429,794, against $1,426,163 three months ago. Deposits at the latest date are $167,551,332, against $142,552,833 on Sept. 30 and $139,874,550 on Dec. 31, 1941. Total resources now at $183,104,097 compare with $158,212,815 three months ago and $155,506,025 a year ago. Holdings of U. S. Government securities are shown as $85,154,795, against $67,849,838 on Sept. 30 and $53,211,270 at the end of 1941. Cash on hand and due from other banks is $56,679,816, against $44,392,983 on Sept. 30 and $49,461,430 a year ago. Total loans and discounts of $25,938,816 are given on Dec. 31, comparing with $27,058,567 on Sept. 30 and $33,682,646 a year ago. Bank buildings are carried at $4,515,377, against $4,897,373 a year ago, and other real estate at $263,263, against $339,633.

As a memorial to the late Henry R. Kinsey, President of the Williamsburgh Savings Bank, Brooklyn, N. Y., a number of his banker friends have organized a committee to establish a school as an adjunct of the House of St. Giles the Cripple, a charitable institution which was one of Mr. Kinsey's special interests. Edward A. Richards, President of the East New York Savings Bank, is Chairman of the Committee, and Jacob C. Klinck, President of the Kings County Savings Bank, is Treasurer. Mr. Kinsey, who was former President of the National Association of Mutual Savings Banks and the Savings Banks Association of the State of New York, died on Oct. 13, as was noted in our issue of Oct. 22, page 1456.

At a meeting of the Board of Directors of the Flushing National Bank, of Flushing, New York, Lester Mendell was elected Chairman of the Board. Allan D. Emil and Joseph J. Morris were elected Directors of the Bank. After a number of years in the lumber manufacturing business, Mr. Mendell formed Lester Mendell Co., wholesale lumber merchants, in New York City. Mr. Morris is senior member of Morris, Sherwood & May, certified public accountants. He is a member of the New York State Society of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Emil, an attorney, is a director of the Square D Company of Detroit and of the Gray Manufacturing Co. He is counsel for the Kollsman Instrument Co., and assistant counsel for the Institute of Aeronautical Science. Mr. Emil is a member of the New York County Lawyers Association and the American Bar Association.

According to special advices to the New York "Times," the Commonwealth-Merchants Trust Co., Union City, N. J., on Dec. 30, absorbed the Hamilton National Bank of Weehawken. The latter institution now becomes the fourth branch of the Commonwealth-Merchants and Alfred J. Curtin, President of the Hamilton, becomes the Manager. The Commonwealth-Merchants took over liabilities of about $1,500,000 of the Hamilton in exchange for acceptable assets.

A program for consolidating all building and loan associations in Atlantic City and neighboring Ventnor (N. J.) was announced on Dec. 27 by the Atlantic County League of Building and Loan Associations. The plan, according to Atlantic City advices to the New York "Herald Tribune," approved by both Federal and State authorities, is contained in letters mailed to shareholders of each association. The notices call for shareholders' meetings this month to act on the proposal. The plan proposes the merging of 13 Atlantic City and two Ventnor associations into two operating units.

The Philadelphia National Bank, Philadelphia, Pa., reports in its Dec. 31, 1942, statement of condition total deposits of $678,427,431 and total assets of $733,168,806. This compares witn deposits of $629,732,560 and resources of $684,347,113 on Dec. 31, 1941. In the current statement cash and due from banks amount to $213,194,415 (against $304,524,667); holdings of U. S. Government securities $375,279,847 (as compared with $221,215,634), and loans and discounts of $81,461,521 (against $91,630,774). No change has been made in capital stock, which stands at $14,000,000, but surplus and net profits have increased to $33,869,234 from $32,295,272 at the end of 1941.

The Fidelity-Philadelphia Trust Co., of Philadelphia, Pa., in its statement of condition as of Dec. 31, 1942, reported total deposits of $151,096,700 and total resources of $172,117,018, compared, respectively, with $147,831,129 and $167,990,001 on Dec. 31, 1941. Cash on hand and due from banks at the end of 1942 amounted to $40,953,177, against $38,177,626; holdings of U. S. Government securities to $43,956,709, compared with $30,990,940, and loans to $38,050,735, against $38,235,965. The bank's capital and surplus remain unchanged from a year ago at $6,700,000 and $11,000,000, while undivided profits have increased to $2,130,478 from $1,496,338 at the close of last year.

In its statement of condition as of Dec. 31, 1942, the Pennsylvania Company for Insurance on Lives and Granting Annuities, Philadelphia, reports total resources of $401,252,070 (comparing with $341,087,239 on Dec. 31, 1941), the principal items of which are: Cash and due from banks, $135,899,114 (against $140,676,089); United States Government securities, $138,140,870 (increased from $48,781,618 a year ago); commercial and collateral loans, $93,162,412 (compared with $114,536,839). Deposits on Dec. 31, 1942 are given as $370,613,745 contrasting with $310,224,183 at the end of last year. The company's capital stock and surplus are unchanged from a year ago at $10,000,000 and $14,700,000, respectively, but undivided profits have increased to $2,367,844 from $1,671,397 on Dec. 31, 1941.

Arthur Reynolds, for many years one of Chicago's leading bankers, died Jan. 1 in his home at San Mateo, Cal. He was 74 years old. Mr. Reynolds retired from the Chicago banking scene in 1932 when he gave up his post as Chairman of the Continental Illinois National Bank and Trust Co. and moved to California for his health. From 1933 to 1936 he served as Vice-Chairman of the Board of the Bank of America, San Francisco.

The following is from the Chicago "Daily Tribune" of Jan. 3:

"Mr. Reynolds was a member of the Reynolds brothers banking team, the senior member of which was the late George M. Reynolds. The Reynolds brothers were born in Panora, Ia. George established himself in the banking world in Chicago and Arthur followed him here in 1915 when he was made Vice-President of the old Continental and Commercial Bank.

"The Reynolds brothers were active in development of Chicago banking during the 1920s, and took part in various bank mergers from which the Continental Illinois National Bank and Trust Co. resulted."

On Jan. 5 Frederick E. Hasler, President and Chairman of The Continental Bank & Trust Co. announced the election of Joseph T. Lykes, shipping executive and cattle breeder, to the board of directors. Mr. Lykes is Executive Vice-President and a director of Lykes Brothers Steamship Co., Inc., one of the largest Gulf operators in the American Merchant Marine with offices in New York, New Orleans, Houston, Galveston and other ports and a director of Lykes Brothers Co., Inc., steamship agents, and Lykes Coastwise Line, Inc. The Lykes Brothers interests have large cattle holdings in Texas, Florida and Cuba.

The Boatmen's National Bank of St. Louis reports that its operating profits for 1942, after all expenses, taxes and depreciation, and exclusive of recoveries on items previously charged off, were $476,197, or $3.81 per share, as against $406,227, or $3.25 per share for 1941. Deposits at Dec. 31, 1942, were $112,331,741, against $84,716,004 at the previous year-end. Total resources now amount to $117,853,446, compared with $89,974,749 at the end of last year. The bank's capital stock is unchanged at $2,500,000. The other items in the capital account are now reported as follows: Surplus $2,000,000, undivided profits $479,084 and reserve for contingencies $410,790; these figures compare respectively with $1,700,000, $502,886 and $390,767 at the end of 1941.

Stuart C. Frazier, Second Vice-President of the Washington Mutual Savings Bank at Seattle, Wash., has been commissioned a First Lieutenant in the U. S. Marine Corps and has reported for duty at the Marine Corps barracks in Quantico, Va. Mr. Frazier was President of the Savings Division of the American Bankers Association in the year 1941-1942.

New Congress Support For Pay-As-You-Go Tax

A new tax bill embracing "pay-as-you-go" income tax principles will apparently receive serious consideration by the new Congress in view of the recent statements made by advocates of the proposal.

The plan to place Federal income-tax collections on a current basis was first brought forward by Beardsley Ruml, Treasurer of R. H. Macy & Co., Inc., and Chairman of the Federal Reserve Bank of New York.

Under the Ruml plan income taxes on the previous year's earnings would be wiped out and payments would be made on the current year's taxes through weekly or monthly deductions from an individual's earnings. His plan was rejected by Congress as part of the last tax bill because the Treasury had strongly opposed elimination of one year's tax liability.

Senator George (Dem., Ga.), Chairman of the Senate Finance Committee, is on record as favoring a current payments system for income taxes, and Representative Doughton (Dem., N. C.), Chairman of the House Ways and Means Committee, also favors the proposal in principle but is opposed to the Ruml plan.

The latest to take a stand in favor of some "pay-as-you-go" tax plan are Senator Davis (Rep., Pa.), member of the Senate Finance Committee, Senator Barbour (Rep., N. J.), Representative Treadway (Rep., Mass.), ranking minority member of the House Ways and Means Committee, and Representative Kean (Rep., N. J.).

Reach Agreement On Brazil Needs From US

The State Department in Washington announced on Dec. 28 an agreement providing for the joint determination of Brazil's civilian requirements from the United States by Carteira de Exportacao e Importacao of the Banco do Brazil and agencies of this Government.

The agreement, details of which were not revealed, was worked out jointly by the State Department and the Board of Economic Warfare. The State Department announcement said:

"One of the main objectives of the agreement is to secure precise requirements figures for Brazil through the joint consideration of requirements data by the Carteira and officials of the United States Embassy. This should provide greater assurance that the limited shipping facilities currently available are utilized to the best advantage. The agreement provides that the requirements will continue to be met through the normal channels of trade. . . . The detailed step-by-step operations of the plan are not yet fully worked out."

Logan Named To WPB Post

Appointment of William John Logan, formerly Vice-President of the Central Hanover Bank and Trust Co., New York City, to be Director of the War Production Board's Compliance Division was announced on Dec. 21 by J. A. Krug, Deputy Director General for Distribution. At the same time Mr. Krug announced that Walter H. Foster, of WPB's Legal Division, will serve as Chief Compliance Commissioner, with headquarters in Washington.

Mr. Logan succeeds John H. Ward as Director of the Compliance Division. Mr. Ward, now Acting Director of the Organizational and Procedural Office in the Office of the Program Vice Chairman, replaces Livingston Short, who left FPB to engage in confidential work for the Government.

ABA Pres. To Address NY Commerce Chamber

W. L. Hemingway, President of the American Bankers Association, will speak on "Our National Debt" at the monthly meeting of the Chamber of Commerce of the State of New York today (Jan. 7) at 65 Liberty Street. Mr. Hemingway is President of the Mercantile-Commerce Bank & Trust Co. of St. Louis.

NY Stores Up Sale of War Bonds & Stamps

The sale of War Bonds and Stamps in 160 retail stores in Greater New York and Jamaica totaled $1,650,500 in November, an increase of $87,000,000 over October, J. Edward Davidson, War Bond Retail Chairman, reported to the New York War Savings Staff. It is stated that the public was responsible for $1,225,444.70 of the full amount. Employees bought $425,102.55 worth of War Bonds and Stamps during the month. Eleven stores of the Retail Dry Goods Association showed the biggest total, $585,880.20. The Uptown Retail Guild, in 32 shops, sold a total of $134,008.95 in Bonds and Stamps. Thirteen Brooklyn stores realized $173,362 in sales.

US Grants Credits To Venezuelan Bank

Secretary of Commerce Jesse Jones announced on Dec. 18 the signing of two agreements between the Export-Import Bank of Washington and the Banco Agricola y Pecuario, of Venezuela, a government controlled agricultural bank, by each of which the Venezuelan bank is granted a $6,000,000 credit. The "Wall Street Journal" reported from Washington that one of the credits has been established to aid the Banco Agricola in financing coffee and cocoa crops throughout the Republic up to and including the 1944 seasons, while the other credit has been extended to aid in financing a program designed to increase production of agricultural products.

Period 3 Fuel Oil Coupons Worth 10% Less In East

Leon Henderson, Price Administrator, on Jan. 2, ordered a 10% cut in the value of all Period 3 fuel oil coupons for the 17 rationed Eastern States and the District of Columbia, effective 12.01 a.m. on Jan. 4.

Class 1 coupons, issued generally to homeowners, will be reduced in value from ten to nine gallons each. Likewise, class 2 coupons, used by apartment houses, office buildings and other larger consumers, are reduced 10%, their value for Period 3 being fixed at 90 gallons as against the original value of 100 gallons each.

Consumers who already have used some of their Period 3 coupons will not be penalized, the OPA said.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks on Dec. 21 made a successful placement at par of $50,965,000 debentures through Charles R. Dunn, New York, fiscal agent for the banks. Of the total, $20,750,000 dated Dec. 30, 1942, due July 1, 1943, carries a coupon rate of 0.70% and $30,215,000, to be dated Jan. 2, 1943, due Oct. 1, 1943, bears a coupon rate of 0.80%. Of the total proceeds, $34,245,000 will be used to pay off a like amount of outstanding debentures due Jan. 2, 1943, and $16,720,000 is new money. At the close of business Jan. 2, 1943, the banks will have outstanding $297,440,000 debentures.

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FULL TEXT

REVENUE ACT OF 1942

[Public Law 753--77th Congress] [Chapter 619--2nd Session] [H. R. 7378]

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AN ACT to provide revenue, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) Short Title.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1942":

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TITLE V—Amendments to Prior Revenue Acts and Miscellaneous Provisions

Sec. 501. Additional credits for undistributed profits tax.
Sec. 502. Stamp tax on certain insurance policies (sec. 1804).
Sec. 503. Suit against collector bar in other suits (sec. 3772).
Sec. 504. Change of name of Board of Tax Appeals (sec. 1100).
Sec. 505. Requirement of filing notice of lien (sec. 3672).
Sec. 506. Miscellaneous amendments to stamp tax provisions (sec. 1801, etc.).
Sec. 507. Time for performing certain acts postponed by reason of war.
Sec. 508. Mitigation of effect of renegotiation of war contracts or disallowance of reimbursement.
Sec. 509. Amendment to the Public Salary Tax Act of 1939.
Sec. 510. Abolition of Board of Review and transfer of jurisdiction to Board of Tax Appeals.
Sec. 511. Definition of military or naval forces of the United States (sec. 3797 (a)).
Sec. 512. Joint Committee on Internal Revenue Taxation—Power to obtain data (Chap. 48).

TITLE VI—Excise Taxes

Sec. 601. Effective date of this title.
Sec. 602. Distilled spirits (sec. 2800).
Sec. 603. Fermented malt liquors (sec. 3150).
Sec. 604. Wines (sec. 3030).
Sec. 605. Cigars and cigarettes (sec. 2000).
Sec. 606. Telephone, telegraph, etc. (sec. 3465).
Sec. 607. Photographic apparatus (sec. 3406 (a) (4)).
Sec. 608. Lubricating oils (sec. 3413).
Sec. 609. Transportation of persons (sec. 3469).
Sec. 610. Organs under contract before October 1, 1941 (sec. 3404 (d)).
Sec. 611. Termination of certain excise taxes (sec. 3406 (a) (5), (7), (8), and (9)).
Sec. 612. Affixing of cigarette stamps in foreign countries (sec. 2112 (c)).
Sec. 613. Exemption of insignia, etc., used in connection with uniforms of the armed forces from jewelry tax (sec. 2400).
Sec. 614. Refrigerators, refrigerating apparatus, and air-conditioners (sec. 3405).
Sec. 615. Exemption of certain cash registers (sec. 3406 (a) (6)).
Sec. 616. Exempt transportation of oil by pipe line (sec. 3460).
Sec. 617. Coin-operated amusement and gaming devices (sec. 3267).
Sec. 618. Sale under chattel mortgage (sec. 2405 and sec. 3441).
Sec. 619. Repeal of certain provisions relating to mixed flour (Chapter 18, Chapter 27).
Sec. 620. Transportation of property.
Sec. 621. Exemption from processing tax of palm oil used in manufacture of iron or steel products (sec. 2477).
Sec. 622. Cabaret tax (sec. 1700 (e)).
Sec. 623. Sale and use of toilet preparations by beauty parlors, etc. (sec. 2402 (b)).

TITLE VII—Social Security Taxes

Sec. 701. Automatic increase in 1943 rate not to apply (secs. 1400 and 1410).

TITLE VIII—Renegotiation of War Contracts

Sec. 801. Renegotiation of war contracts.

(b) Act Amendatory or Internal Revenue Code—Except as otherwise expressly provided, wherever in this Act an amendment is expressed in terms of an amendment to a chapter, subchapter, title, supplement, section, subsection, subdivision, paragraph, subparagraph, or clause, the reference shall be considered to be made to a provision of the Internal Revenue Code.

(c) Meaning of Terms Used—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

TITLE I—INDIVIDUAL AND CORPORATION INCOME TAXES

PART I—AMENDMENTS TO CHAPTER 1

SEC. 101. Taxable Years To Which Amendments Applicable

Except as otherwise expressly provided, the amendments made by this title shall be applicable only with respect to taxable years beginning after December 31, 1941.

SEC. 102. Normal Tax on Individuals

Section 11 is amended to read as follows:

"SEC. 11. Normal Tax on Individuals

"There shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax of 6 per centum of the amount of the net income in excess of the credits against net income provided in section 25. (For alternative tax, if gross income from certain sources is $3,000 or less, see section 400)."

SEC. 103. Surtax on Individuals

Section 12 (b) is amended to read as follows:

"(b) Rates of Surtax—There shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over $2,000	13% of the surtax net income.
Over $2,000 but not over $4,000	$260, plus 16% of excess over $2,000.
Over $4,000 but not over $6,000	$580, plus 20% of excess over $4,000.
Over $6,000 but not over $8,000	$980, plus 24% of excess over $6,000.
Over $8,000 but not over $10,000	$1,460, plus 28% of excess over $8,000.
Over $10,000 but not over $12,000	$2,020, plus 32% of excess over $10,000.
Over $12,000 but not over $14,000	$2,660, plus 36% of excess over $12,000.
Over $14,000 but not over $16,000	$3,380, plus 40% of excess over $14,000.
Over $16,000 but not over $18,000	$4.180, plus 43% of excess over $16,000.
Over $18,000 but not over $20,000	$5,040, plus 46% of excess over $18,000.
Over $20,000 but not over $22,000	$5,960, plus 49% of excess over $20,000.
Over $22,000 but not over $26,000	$6,940, plus 52% of excess over $22,000.
Over $26,000 but not over $32,000	$9,020, plus 55% of excess over $26,000.
Over $32,000 but not over $38,000	$12,320, plus 58% of excess over $32,000.
Over $38,000 but not over $44,000	$15,800, plus 61% of excess over $38,000.
Over $44,000 but not over $50,000	$19,460, plus 63% of excess over $44,000.
Over $50,000 but not over $60,000	$23,240, plus 66% of excess over $50,000.
Over $60,000 but not over $70,000	$29,840, plus 69% of excess over $60,000.
Over $70,000 but not over $80,000	$36,740, plus 72% of excess over $70,000.
Over $80,000 but not over $90,000	$43,940, plus 75% of excess over $80,000.
Over $90,000 but not over $100,000	$51,440, plus 77% of excess over $90,000.
Over $100,000 but not over $150,000	$59,140, plus 79% of excess over $100,000.
Over $150,000 but not over $200,000	$98,640, plus 81% of excess over $150,000.
Over $200,000	$139,140, plus 82% of excess over $200,000."

SEC. 104. Optional Tax on Individuals with Gross Income from Certain Sources of $3,000 or Less

(a) Optional Tax Rates—Section 400 (relating to optional tax) is amended to read as follows:

"SEC. 400. Imposition of Tax

"In lieu of the tax imposed under sections 11 and 12, an individual who makes his return on the cash basis may elect, for each taxable year, to pay the tax shown in the following table if his gross income for such taxable year is $3,000 or less and consists wholly of one or more of the following: Salary, wages, compensation for personal services, dividends, interest, or annuities:

If the gross income is over—	But not over—	The tax shall be— Single person (not head of a family)	Married person making separate return	(1) Married person whose spouse has no gross income or (2) Married person making joint return or (3) Head of family
$0	$525	$0	$0	$0
525	550	1	0	0
550	575	4	0	0
575	600	7	0	0
600	625	11	0	0
625	650	15	0	0
650	675	20	3	0
675	700	24	6	0
700	725	28	9	0
725	750	33	14	0
750	775	37	18	0
775	800	41	22	0
800	825	46	27	0
825	850	50	31	0
850	875	54	35	0
875	900	59	40	0
900	925	63	44	0
925	950	67	48	0
950	975	71	52	0
975	1,000	76	57	0
1,000	1,025	80	61	0
1,025	1,050	84	65	0
1,050	1,075	89	70	0
1,075	1,100	93	74	0
1,100	1,125	97	78	0
1,125	1,150	102	83	0
1,150	1,175	106	87	0
1,175	1,200	110	91	0
1,200	1,225	115	96	0
1,225	1,250	119	100	0
1,250	1,275	123	104	0
1,275	1,300	128	109	1
1,300	1,325	132	113	4
1,325	1,350	136	117	7
1,350	1,375	141	122	10
1,375	1,400	145	126	14
1,400	1,425	149	130	17
1,425	1,450	154	135	21
1,450	1,475	158	139	25
1,475	1,500	162	143	29
1,500	1,525	167	148	34
1,525	1,550	171	152	38
1,550	1,575	175	156	42
1,575	1,600	180	161	47
1,600	1,625	184	165	51
1,625	1,650	188	169	55
1,650	1,675	193	174	60
1,675	1,700	197	178	64
1,700	1,725	201	182	68
1,725	1,750	206	187	73
1,750	1,775	210	191	77
1,775	1,800	214	195	81
1,800	1,825	218	199	85
1,825	1,850	223	204	90
1,850	1,875	227	208	94
1,875	1,900	231	212	98
1,900	1,925	236	217	103
1,925	1,950	240	221	107
1,950	1,975	244	225	111
1,975	2,000	249	230	116
2,000	2,025	253	234	120
2,025	2,050	257	238	124
2,050	2,075	262	243	129
2,075	2,100	266	247	133
2,100	2,125	270	251	137
2,125	2,150	275	256	142
2,150	2,175	279	260	146
2,175	2,200	283	264	150
2,200	2,225	288	269	155
2,225	2,250	292	273	159
2,250	2,275	296	277	163
2,275	2,300	301	282	168
2,300	2,325	305	286	172
2,325	2,350	309	290	176
2,350	2,375	314	295	181
2,375	2,400	318	299	185
2,400	2,425	322	303	189
2,425	2,450	327	308	194
2,450	2,475	331	312	198
2,475	2,500	335	316	202
2,500	2,525	340	321	207
2,525	2,550	344	325	211
2,550	2,575	348	329	215
2,575	2,600	353	334	220
2,600	2,625	357	338	224
2,625	2,650	361	342	228
2,650	2,675	366	347	233
2,675	2,700	371	351	237
2,700	2,725	376	355	241
2,725	2,750	381	359	245
2,750	2,775	386	364	250
2,775	2,800	391	369	254
2,800	2,825	396	374	258
2,825	2,850	401	379	263
2,850	2,875	406	384	267
2,875	2,900	411	389	271
2,900	2,925	416	394	276
2,925	2,950	421	399	280
2,950	2,975	426	404	284
2,975	3,000	431	409	289

In applying the above schedule to determine the tax of a taxpayer with one or more dependents there shall be subtracted from his gross income $385 for each such dependent."

(b) Rules for Application of Section 400—Section 401 is amended to read as follows:

"SEC. 401. Rules for Application of Section 400

"For the purposes of this supplement—

"(a) Definitions—

"(1) 'Married person' means a married person living with husband or wife on July 1 of the taxable year.

"(2) 'Dependent' means a person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer on July 1 of the taxable year if on such date such dependent person is under eighteen years of age, or is incapable of self-support because mentally or physically defective, excluding as a dependent, in the case of a head of a family, one who would be excluded under section 25 (b) (2) (B). A payment to a wife which is includible under section 22 (k) or section 171 in the gross income of such wife shall not be considered a payment by her husband for the support of any dependent.

"(b) Married and Not Living With Husband or Wife—An individual not a head of a family and not living with husband or wife on July 1 of the taxable year shall be treated as a single person."

(c) Taxpayers Ineligible—Section 404 is amended to read as follows:

"SEC. 404. Certain Taxpayers Ineligible

"This supplement shall not apply to a nonresident alien individual, to an estate or trust, to an individual filing a return for a period of less than twelve months or for any taxable year other than a calendar year, or to a married individual married and living with husband or wife at any time during the taxable year whose spouse files return and computes tax without regard to this supplement."

SEC. 105. Tax on Corporations

(a) Normal Tax—

(1) Definition of normal-tax net income—Section 13 (a) (2) (relating to the definition of corporation normal-tax net income) is amended to read as follows:

"(2) Normal-tax net income—The term 'normal-tax net income' means the adjusted net income minus the credit for income subject to the tax imposed by Subchapter E of Chapter 2 provided in section 26 (e) and minus the credit for dividends received provided in section 26 (b)."

(2) Alternative rate—Section 13 (b) (2) (relating to alternative normal-tax rate) is amended to read as follows:

"(2) Alternative Tax (corporations with normal-tax net income over $25,000, but not over $50,000)—A tax of $4,250, plus 31 per centum of the amount of the normal-tax net income in excess of $25,000."

(b) Surtax on Corporations—Section 15 (relating to surtax on corporations) is amended to read as follows:

"SEC. 15. Surtax on Corporations

"(a) Corporation Surtax Net Income—For the purposes of this chapter, the term 'corporation surtax net income' means the net income minus the credit for income subject to the tax imposed by Subchapter E of Chapter 2 provided in section 26 (e) and minus the credit for dividends received provided in section 26 (b) (computed by limiting such credit to 85 per centum of the net income reduced by the credit for income subject to the tax imposed by Subchapter E of Chapter 2 in lieu of 85 per centum of the adjusted net income so reduced), and minus, in the case of a public utility, the credit for dividends paid on its preferred stock provided in section 26 (h). For the purposes of this subsection dividends received on the preferred stock of a public utility shall be disregarded in computing the credit for dividends received provided in section 26 (b).

"(b) Imposition of Tax—There shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a Western Hemisphere Trade Corporation as defined in section 109, and except a corporation subject to the tax imposed by section 231 (a), Supplement G, or Supplement Q), a surtax as follows:

"(1) Surtax net incomes not over $25,000—Upon corporation surtax net incomes not over $25,000, 10 per centum of the amount thereof.

"(2) Surtax net incomes over $25,000 but not over $50,000—Upon corporation surtax net incomes over $25,000, but not over $50,000, $2,500, plus 22 per centum of the amount of the corporation surtax net income over $25,000.

"(3) Surtax net incomes over $50,000 — Upon corporation surtax net incomes over $50,000, 16 per centum of the corporation surtax net income."

(c) Nondeductibility of Excess-Profits Tax—

(1) Section 23 (c) (1) (B) (relating to taxes not deductible in computing net income) is amended to read as follows:

"(B) war-profits and excess-profits taxes imposed by Title II of the Revenue Act of 1917, Title III of the Revenue Act of 1918, Title III of of the Revenue Act of 1921, section 216 of the National Industrial Recovery Act, section 702 of the Revenue Act of 1934, or Subchapter E of Chapter 2, or by any such provisions as amended or supplemented;".

(2) Section 23 (c) (2) (relating to special rules for deduction of excess-profits tax) is repealed.

(d) Credit for Adjusted Excess-Profits Net Income—Section 26 (e) and (f) (cross-references) are amended to read as follows:

"(e) Income Subject to Excess-Profits Tax—In the case of any corporation subject to the tax imposed by Subchapter E of Chapter 2, an amount equal to its adjusted excess-profits net income (as defined in section 710 (b)). In the case of any corporation computing such tax under section 721 (relating to abnormalities in income in the taxable period), section 726 (relating to corporations completing contracts under the Merchant Marine Act of 1936), section 731 (relating to corporations engaged in mining strategic minerals), or section 736 (b) (relating to corporations with income from long-term contracts), the credit shall be the amount of which the tax imposed by such subchapter is 90 per centum. For the purpose of the preceding sentence the term 'tax imposed by Subchapter E of Chapter 2' means the tax computed without regard to the limitation provided in section 710 (a) (1) (B) (the 80 per centum limitation), without regard to the credit provided in section 729 (c) and (d) for foreign taxes paid, and without regard to the adjustments provided in section 734. This subsection shall not apply to any corporation exempt from such tax under section 725 or section 727.

"(f) Dividends Paid Credit—For corporation dividends paid credit, see section 27.

"(g) Consent Dividends Credit—For corporation consent dividends credit, see section 28."

(e) Technical Amendments Made Necessary by Change in Base for Corporate Tax—

(1) Credit for dividends received—The first sentence of section 26 (b) is amended to read as follows: "85 per centum of the amount received as dividends from a domestic corporation which is subject to taxation under this chapter, but not in excess of 85 per centum of the adjusted net income reduced by the credit for income subject to the tax imposed by Subchapter E of Chapter 2 provided in subsection (e)."

(2) Computation of section 102 net income—Section 102 (d) (1) (relating to the definition of section 102 net income) is amended by inserting at the end thereof the following new subparagraph:

"(D) Income Subject to Excess-Profits Tax—The credit for income subject to the tax imposed by Subchapter E of Chapter 2 provided in section 26 (e)."

(3) Computation of net operating loss deduction—Section 122 (relating to net operating loss) is amended as follows:

(A) Subsection (a) is amended to read as follows:

"(a) Definition of Net Operating Loss—As used in this section, the term 'net operating loss' means the excess of the deductions allowed by this chapter over the gross income, with the exceptions, additions, and limitations provided in subsection (d)."

(B) Subsection (c) is amended by striking out the parenthesis at the end thereof and inserting in lieu thereof the following: "and without the credit provided in section 26 (e)".

(C) Subsection (d) is amended by striking out "exceptions and limitations" and inserting in lieu thereof "exceptions, additions, and limitations" and by inserting at the end thereof the following new paragraph:

"(6) There shall be allowed as a deduction the amount of tax imposed by Subchapter E of Chapter 2 paid or accrued within the taxable year, subject to the following rules—

"(A) No reduction in such tax shall be made by reason of the credit for income, war-profits, or excess-profits taxes paid to any foreign country or possession of the United States;

"(B) Such tax shall be computed without regard to the adjustments provided in section 734; and

"(C) Such tax, in the case of a consolidated return for excess-profits tax purposes, shall be allocated to the members of the affiliated group under regulations prescribed by the Commissioner, with the approval of the Secretary."

SEC. 106. Tax on Nonresident Alien Individuals

(a) Tax in General—Section 211 (a) (1) (A) (relating to tax on nonresident alien individuals not engaged in trade or business within the United States) is amended by striking out "27½ per centum" and inserting in lieu thereof "30 per centum". The amendments made by this subsection shall apply with respect to amounts received after the ninth day after the date of the enactment of this Act regardless of whether the taxable year of the recipient begins before January 1, 1942, or after December 31, 1941.

(b) Aggregate Receipts More Than $15,400—Section 211 (a) (2) is amended to read as follows:

"(2) Aggregate more than $15,400—The tax imposed by paragraph (1) shall not apply to any individual if the aggregate amount received during the taxable year from the sources therein specified is more than $15,400."

(c) Tax Where Gross Income of More Than $15,400—Section 211 (c) (relating to tax on certain nonresident alien individuals) is amended by striking out "$23,000" wherever occuring therein and inserting in lieu thereof "$15,400"; and by striking out "27½ per centum" and inserting in lieu thereof "30 per centum". In the application of the amendments made by this subsection, the rate shall be 27½ per centum with respect to the period ending with the ninth day after the date of the enactment of this Act and shall be 30 per centum with respect to the period after such day.

SEC. 107. Tax on Foreign Corporations

Section 231 (a) (relating to tax on nonresident foreign corporations) is amended by striking out "27½ per centum" and inserting in lieu thereof "30 per centum". The amendments made by this section shall apply with respect to amounts received after the ninth day after the date of the enactment of this Act regardless of whether the taxable year of the recipient begins before January 1, 1942, or after December 31, 1941.

SEC. 108. Withholding of Tax at Source

(a) Sections 143 (a) and (b) and 144 are amended by striking out "27½ per centum" wherever occuring therein and inserting in lieu thereof "30 per centum".

(b) Limitation on Rate of Withholding in Certain Cases—Section 143 (b) is amended by inserting before the period at the end of the first sentence the following: ": *Provided further,* That the deduction and withholding in the case of interest on bonds, mortgages, or deeds of trust or other similar obligations of a corporation, within the provisions of subsection (a)(1) of this section were it not for the fact that the maturity date of such obligations has been extended on or after January 1, 1934, and the liability assumed by the debtor exceeds 27½ per centum of the interest, shall not exceed the rate of 27½ per centum per annum".

(c) Subsection (a) shall apply only with respect to the period beginning with the tenth day after the date of the enactment of this Act.

SEC. 109. Treaty Obligations

No amendment made by this title shall apply in any case where its application would be contrary to any treaty obligation of the United States.

SEC. 110. Transfers of Life Insurance Contracts, Etc.

(a) Proceeds Exempt to Transferee—Section 22 (b) (2) (relating to annuities, etc.) is amended by inserting a period and the following new sentence before the semicolon at the end thereof: "The preceding sentence shall not apply in the case of such a transfer if such contract or interest therein has a basis for determining gain or loss in the hands of a transferee determined in whole or in part by reference to such basis of such contract or interest therein in the hands of the transferor".

(b) Taxable Years to Which Amendment Applicable—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1940.

SEC. 111. Income Received from Estates, Etc., Under Gifts, Bequests, Etc.

(a) Gift of Income From Property Not Excluded From Gross Income—Section 22 (b) (3) (relating to exclusion of gifts, etc., from gross income) is amended to read as follows:

"(3) Gifts, bequests, devises, and inheritances—The value of property acquired by gift, bequest, devise, or inheritance. There shall not be excluded from gross income under this paragraph, the income from such such property, or, in case the gift, bequest, devise, or inheritance is of income from property, the amount of such income. For the purposes of this paragraph, if, under the terms of the gift, bequest, devise, or inheritance, payment, crediting, or distribution thereof is to be made at intervals, to the extent that it is paid or credited or to be distributed out of income from property, it shall be considered a gift, bequest, devise, or inheritance of income from property;".

(b) Deduction of Income To Be Distributed Currently—Section 162 (b) (relating to deduction of income to be distributed currently) is amended to read as follows:

"(b) There shall be allowed as an additional deduction in computing the net income of the estate or trust the amount of the income of the estate or trust for its taxable year which is to be distributed currently by the fiduciary to the legatees, heirs, or beneficiaries, but the amount so allowed as a deduction shall be included in computing the net income of the legatees, heirs, or beneficiaries whether distributed to them or not. As used in this subsection, 'income which is to be distributed currently' includes income for the taxable year of the estate or trust which, within the taxable year, becomes payable to the legatee, heir, or beneficiary. Any amount allowed as a deduction under this paragraph shall not be allowed as a deduction under subsection (c) of this section in the same or any succeeding taxable year;"

(c) Trust Income Included in Income of Beneficiary, Etc.—Section 162 (relating to net income of estates or trusts) is amended by striking out the period at the end of subsection (c) and inserting in lieu thereof a semicolon and the following new subsection:

"(d) Rules for Application of Subsections (b) and (c)—For the purposes of subsections (b) and (c)—

"(1) Amounts distributable out of income or corpus—In cases where the amount paid, credited, or to be distributed can be paid, credited, or distributed out of other than income, the amount paid, credited, or to be distributed (except under a gift, bequest, devise, or inheritance not to be paid, credited, or distributed at intervals) during the taxable year of the estate or trust shall be considered as income of the estate or trust which is paid, credited, or to be distributed if the aggregate of such amounts so paid, credited, or to be distributed does not exceed the distributable income of the estate or trust for its taxable year. If the aggregate of such amounts so paid, credited, or to be distributed during the taxable year of the estate or trust in such cases exceeds the distributable income of the estate or trust for its taxable year, the amount so paid, credited, or to be distributed to any legatee, heir, or beneficiary shall be considered income of the estate or trust for its taxable year which is paid, credited, or to be distributed in an amount which bears the same ratio to the amount of such distributable income as the amount so paid, credited, or to be distributed to the legatee, heir, or beneficiary bears to the aggregate of such amounts so paid, credited, or to be distributed to legatees, heirs, and beneficiaries for the taxable year of the estate or trust. For the purposes of this paragraph 'distributable income' means either (A) the net income of the estate or trust computed with the deductions allowed under subsection (b) and (c) in cases to which this paragraph does not apply, or (B) the income of the estate or trust minus the deductions provided in subsections (b) and (c) in cases to which this paragraph does not apply, whichever is the greater. In computing such distributable income the deductions under subsections (b) and (c) shall be determined without the application of paragraph (2).

"(2) Amounts distributable out of income of prior period—In cases, other than cases described in paragraph (1), if on a date more than 65 days after the beginning of the taxable year of the estate or trust, income of the estate or trust for any period becomes payable, the amount of such income shall be considered income of the estate or trust for its taxable year which is paid, credited, or to be distributed to the extent of the income of the estate or trust for such period, or if such period is a period of more than 12 months, the last 12 months thereof.

"(3) Distributions in first 65 days of taxable year—

"(A) General Rule—If within the first 65 days of any taxable year of the estate or trust, income of the estate or trust, for a period beginning before the beginning of the taxable year, becomes payable, such income, to the extent of the income of the estate or trust for the part of such period not falling within the taxable year or, if such part is longer than 12 months, the last 12 months thereof, shall be considered, paid, credited, or to be distributed on the last day of the preceding taxable year. This subparagraph shall not apply with respect to any amount with respect to which subparagraph (B) applies.

"(B) Payable Out of Income or Corpus—If within the first 65 days of any taxable year of the estate or trust, an amount which can be paid at intervals out of other than income becomes payable, there shall be considered as paid, credited, or to be distributed on the last day of the preceding taxable year the part of such amount which bears the same ratio to such amount as the part of the interval not falling within the taxable year bears to the period of the interval. If the part of the interval not falling within the taxable year is a period of more than 12 months, the interval shall be considered to begin on the date 12 months before the end of the taxable year."

(d) Technical Amendment—Section 164 (relating to different taxable years of estate or trust and beneficiary) is amended by striking out "beneficiary" and inserting in lieu thereof "legatee, heir, or beneficiary".

(e) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1941; except that in the case of income paid, credited or to be distributed or amounts paid, credited or to be distributed by an estate or trust the amendments made by this section shall be applicable only with respect to such income and such amounts paid, credited or to be distributed on or after the beginning of the first taxable year of the estate or trust, as the case may be, beginning after December 31, 1941.

SEC. 112. Amendments to Conform Internal Revenue Code with the Public Debt Act of 1941

(a) Postal Savings Certificates—Section 22 (b) (4) (relating to the exclusion of tax-free interest from gross income) is amended by inserting after the words "other than postal savings certificates of deposits" the following: "to the extent they represent deposits made before March 1, 1941".

(b) United States Obligations—Section 25 (a) (1) is amended to read as follows:

"(1) Interest on United States Obligations—The amount received as interest upon obligations of the United States, if such interest is included in gross income under section 22, and if, under the Act authorizing the issue of such obligations, as amended and supplemented, such interest is exempt from normal tax."

(c) The amendments made by this section shall be effective as of March 1, 1941.

SEC. 113. Exclusion of Pensions, Annuities, Etc., for Disability Resulting from Military Service

Section 22 (b) (5) (relating to exclusions from gross income of compensation for injuries or sickness) is amended by inserting before the semicolon at the end thereof the following: ", and amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country".

SEC. 114. Exclusion of Income from Discharge of Indebtedness

(a) General Rule—Section 22 (b) (9) (relating to exclusion from gross income of corporate income derived from discharge of indebtedness) is amended to read as follows:

"(9) Income from Discharge of Indebtedness—In the case of a corporation, the amount of any income of the taxpayer attributable to the discharge, within the taxable year, of any indebtedness of the taxpayer or for which the taxpayer is liable evidenced by a security (as hereinafter in this paragraph defined) if the taxpayer makes and files at the time of filing the return, in such manner as the Commissioner, with the approval of the Secretary, by regulations prescribes, its consent to the regulations prescribed under section 113 (b) (3) then in effect. In such case the amount of any income of the taxpayer attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income and the amount of the deduction attributable to any unamortized discount (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction. As used in this paragraph the term 'security' means any bond, debenture, note, or certificate, or other evidence of indebtedness, issued by any corporation. This paragraph shall not apply to any discharge occurring before the date of enactment of the Revenue Act of 1939, or in a taxable year beginning after December 31, 1945."

(b) Railroad Corporations—Discharge of Indebtedness In Certain Judicial Proceedings—Section 22 (b) (relating to exclusions from gross income) is amended by inserting at the end thereof the following new paragraph:

"(10) Income from discharge of indebtedness of a Railroad Corporation—The amount of any income attributable to the discharge, within the taxable year, of any indebtedness of a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended, to the extent that such income is deemed to have been realized by reason of a modification in or cancellation in whole or in part of such indebtedness pursuant to an order of a court in a receivership proceeding or in a proceeding under section 77 of the National Bankruptcy Act, as amended. In such case the amount of any income of the taxpayer attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income and the amount of the deduction attributable to any unamortized discount (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction. Paragraph (9) shall not apply with respect to any discharge of indebtedness to which this paragraph applies. This paragraph shall not apply to any discharge occurring in a taxable year beginning after December 31, 1945."

(c) Taxable Years to Which Amendment Applicable—The amendment made by subsection (b) shall be applicable to taxable years beginning after December 31, 1939.

SEC. 115. Improvements by Lessee

(a) Exclusion of Income From Lessee's Improvements—Section 22 (b) (relating to exclusions from gross income) is amended by adding at the end thereof the following new paragraph:

"(11) Improvements by Lessee on Lessor's Property—Income, other than rent, derived by a lessor of real property upon the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by the lessee."

(b) Basis of Real Property Upon Which Improvements Have Been Made by Lessee—Section 113 (relating to basis for determining gain or loss) is amended by adding at the end thereof the following new subsection:

"(c) Property on Which Lessee Has Made Improvements—Neither the basis nor the adjusted basis of any portion of real property shall, in the case of the lessor of such property, be increased or diminished on account of income derived by the lessor in respect of such property and excludible from gross income under section 22 (b) (11). If an amount representing any part of the value of real property attributable to buildings erected or other improvements made by a lessee in respect of such property was included in gross income of the lessor for any taxable year beginning before January 1, 1942, the basis of each portion of such property shall be properly adjusted for the amount so included in gross income."

SEC. 116. Recovery of Bad Debts, Prior Taxes, and Delinquency Amounts

(a) Exclusion from Income—Section 22 (b) (relating to exclusions from gross income) is amended by adding at the end thereof the following new paragraph:

"(12) Recovery of Bad Debts, Prior Taxes, and Delinquency Amounts—Income attributable to the recovery during the taxable year of a bad debt, prior tax, or delinquency amount, to the extent of the amount of the recovery exclusion with respect to such debt, tax, or amount. For the purposes of this paragraph:

"(A) Definition of Bad Debt—The term 'bad debt' means a debt on account of worthlessness or partial worthlessness of which a deduction was allowed for a prior taxable year.

"(B) Definition of Prior Tax—The term 'prior tax' means a tax on account of which a deduction or credit was allowed for a prior taxable year.

"(C) Definition of Delinquency Amount—The term 'delinquency amount' means an amount paid or accrued on account of which a deduction or credit was allowed for a prior taxable year and which is attributable to failure to file return with respect to a tax, or pay a tax, within the time required by the law under which the tax is imposed, or to failure to file return with respect to a tax or pay a tax.

"(D) Definition of Recovery Exclusion — The term 'recovery exclusion', with respect to a bad debt, prior tax, or delinquency amount, means the amount, determined in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, of the deductions or credits allowed, on account of such bad debt, prior tax, or delinquency amount, which did not result in a reduction of the taxpayer's tax under this chapter (not including the tax under section 102) or corresponding provisions of prior revenue laws, reduced by the amount excludible in previous taxable years with respect to such debt, tax, or amount under this paragraph.

"(E) Special Rules in Case of Section 102 Tax and Personal Holding Company Tax—In the application of subparagraphs (A), (B), (C), and (D) in determining the tax under section 102 or Subchapter A of Chapter 2, a recovery exclusion allowed for the purposes of Chapter 1 shall be allowed for the purpose of such section or subchapter whether or not the bad debt, prior tax, or delinquency amount resulted in a reduction of the section 102 tax or Subchapter A tax for the prior taxable year; and in the case of a bad debt, prior tax, or delinquency amount not allowable as a deduction or credit for the prior taxable year under Chapter 1 (except section 102) but allowable for the same taxable year under such section or subchapter a recovery exclusion shall be allowable for the purposes of such section or subchapter if such bad debt, prior tax, or delinquency amount did not result in a reduction of the tax under such section 102 or such Subchapter A. As used in this subparagraph references to Chapter 1, section 102, and Subchapter A in the case of taxable years not subject to the Internal Revenue Code, shall be held to be made to corresponding provisions of prior revenue Acts."

(b) Effective Date of Amendments Under the Internal Revenue Code—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1938.

(c) Under Prior Revenue Acts—For the purposes of the Revenue Act of 1938 or any prior revenue Act, the amendments made to the Internal Revenue Code by subsection (a) of this section shall be effective as if they were a part of each such revenue Act on the date of its enactment.

SEC. 117. Additional Allowance for Military and Naval Personnel

Section 22 (b) (relating to exclusions from gross income) is amended by adding at the end thereof the following new paragraph:

"(13) Additional Allowance for Military and Naval Personnel—So much of the amount received, before the termination of the present war as proclaimed by the President, by personnel below the grade of commissioned officer in the military or naval forces of the United States as salary or compensation in any form from the United States for active service in such forces during such war, as does not exceed $250 in the case of a single person and $300 in the case of a married person or head of a family. The determination, for the purposes of this paragraph, of the taxpayers's status in the armed forces and his family status shall be made as of the end of the taxable year."

SEC. 118. Report Requirement in Connection With Inventory Methods

(a) Section 22 (d) (2) (B) (relating to report requirement in connection with using certain inventory methods) is amended to read as follows:

"(B) Only if the taxpayer establishes to the satisfaction of the Commissioner that the taxpayer has used no procedure other than that specified in subparagraphs (B) and (C) of paragraph (1) in inventorying such goods to ascertain the income, profit, or loss of the first taxable year for which the method described in paragraph (1) is to be used, for the purpose of a report or statement covering such taxable year (i) to shareholders, partners, or other proprietors, or to beneficiaries, or (ii) for credit purposes."

(b) Section 22 (d) (5) (B) (relating to requirement to continue reports in connection with certain inventory methods) is amended to read as follows:

"(B) The Commissioner determines that the taxpayer has used for any such subsequent taxable year some procedure other than that specified in subparagraph (B) of paragraph (1) in inventorying the goods specified in the application to ascertain the income, profit, or loss of such subsequent taxable year for the purpose of a report or statement covering such taxable year (i) to shareholders, partners, or other proprietors, or beneficiaries, or (ii) for credit purposes; and requires a change to a method different from that prescribed in paragraph (1) beginning with such subsequent taxable year or any taxable year thereafter."

(c) Taxable Years to Which Amendments Applicable—Amendments made by this section shall be applicable to taxable years beginning after December 31, 1938.

SEC. 119. Last-in First-out Inventory

Section 22 (d) (relating to the use of the elective inventory method) is amended by adding at the end thereof the following new paragraph:

"(6) Involuntary Liquidation and Replacement of Inventory—

"(A) Adjustment of Net Income and Resulting Tax—If, for any taxable year beginning after December 31, 1941, and prior to the termination of the present war as proclaimed by the President, the closing inventory of a taxpayer inventorying goods under the method provided in this subsection reflects a decrease from the opening inventory of such goods for such year, and if, at the time of the filing of the taxpayer's income tax return for such year, the taxpayer elects to have the provisions of this paragraph apply and so notifies the Commissioner, and if, at the time of such election, it is established to the satisfaction of the Commissioner, in accordance with such regulations as the Commissioner may prescribe with the approval of the Secretary, that such decrease is attributable to the involuntary liquidation of such inventory as defined in subparagraph (B), and if the closing inventory of a subsequent taxable year, ending not more than three years after the termination of the present war as proclaimed by the President, reflects a replacement, in whole or in part, of the goods so previously liquidated, the net income of the taxpayer otherwise determined for the year of such involuntary liquidation shall be adjusted as follows:

"(i) Increased by an amount equal to the excess, if any, of the aggregate cost of such goods reflected in the opening inventory of the year of involuntary liquidation over the aggregate replacement cost; or

"(ii) Decreased by an amount equal to the excess, if any, of the aggregate replacement cost of such goods over the aggregate cost thereof reflected in the opening inventory of the year of the involuntary liquidation.

The taxes imposed by this chapter and by Subchapter E of Chapter 2 for the year of such liquidation and for all taxable years intervening between such year and the year of replacement shall be redetermined, giving effect to such adjustments. Any increase in such taxes resulting from such adjustments shall be assessed and collected as a deficiency but without interest, and any over-payment so resulting shall be credited or refunded to the taxpayer without interest.

"(B) Definition of Involuntary Liquidation—The term 'involuntary liquidation', as used in this paragraph, means the sale or other disposition of goods inventoried under the method described in this subsection, either voluntary or involuntary, coupled with a failure on the part of the taxpayer to purchase, manufacture, or otherwise produce and have on hand at the close of the taxable year in which such sale or other disposition occurred such goods as would, if on hand at the close of such taxable year, be subject to the application of the provisions of this subsection, if such failure on the part of the taxpayer is due, directly and exclusively, (i) to enemy capture or control of sources of limited foreign supply; (ii) to shipping or other transportation shortages; (iii) to material shortages resulting from priorities or allocations; (iv) to labor shortages; or (v) to other prevailing war conditions beyond the control of the taxpayer.

"(C) Replacements—If, in the case of any taxpayer subject to the provisions of subparagraph (A), the closing inventory of the taxpayer for a taxable year, subsequent to the year of involuntary liquidation but prior to the complete replacement of the goods so liquidated, reflects and increase over the opening inventory of such goods for the taxable year, the goods reflecting such increase shall be considered, in the order of their acquisition, as having been acquired in replacement of the goods most recently liquidated (whether or not in a year of involuntary liquidation) and not previously replaced, and if the liquidation was an involuntary liquidation shall be included in the inventory of the taxpayer for the year of replacement at the inventory cost basis of the goods replaced.

"(D) Election Irrevocable—An election by the taxpayer to have the provisions of this paragraph apply, once made, shall be irrevocable and shall be binding for the year of the involuntary liduidation and for all determinations for subsequent taxable years insofar as they are related to the year of liquidation or replacement.

"(E) Adjustment in Certain Cases—If the adjustments specified in subparagraph (A) are, with respect to any taxable year, prevented, on the date of the filing of the income tax return of the taxpayer for the year of the replacement, or within three years from such date, by any provision or rule of law (other than this subparagraph and other than section 3761, relating to compromises), such adjustments shall nevertheless be made if, in respect of the taxable year for which the adjustment is sought, a notice of dificiency is mailed or a claim for refund is filed, as the case may be, within three years after the date of the filing of the income tax return for the year of replacement. If, at the time of the mailing of such notice of deficiency or the filing of such claim for refund, the adjustment is so prevented, then the amount of the adjustment authorized by this paragraph shall be limited to the increase or decrease of the tax imposed by this chapter and Subchapter E of Chapter 2 previously determined for such taxable year which results solely from the effect of subparagraph (A), and such amount shall be assessed and collected, or credited or refunded, in the same manner as if it were a deficiency or an overpayment, as the case may be, for such taxable year and as if, on the date of the filing of the income tax return for the year of the replacement, three years remain before the expiration of the periods of limitation upon assessment or the filing of claim for refund for the taxable year. The tax previously determined shall be ascertained in accordance with section 734 (d). The amount to be assessed and collected under this paragraph in the same manner as if it were a deficiency or to be credited or refunded in the same manner as if it were an overpayment shall not be diminished by any credit or set-off based upon any item, inclusion, deduction, credit, exemption, gain, or loss, other than one resulting from the effect of subparagraph (A). Such amount, if paid, shall not be recovered by a claim or suit for refund, or suit for erroneous refund based upon any item, inclusion, deduction, credit, exemption, gain, or loss, other than one resulting from the effect of subparagraph (A)."

SEC. 120. Alimony and Separate Maintenance Payments

(a) Amount Includible in Gross Income—Section 22 (relating to definition of gross income) is amended by inserting at the end thereof the following new subsection:

"(k) Alimony, Etc., Income—In the case of a wife who is divorced or legally separated from her husband under a decree of divorce or of separate maintenance, periodic payments (whether or not made at regular intervals) received subsequent to such decree in discharge of, or attributable to property transferred (in trust or otherwise) in discharge of, a legal obligation which, because of the martial or family relationship, is imposed upon or incurred by such husband under such decree or under a written instrument incident to such divorce or separation shall be includible in the gross income of such wife, and such amounts received as are attributable to property so transferred shall not be includible in the gross income of such husband. This subsection shall not apply to that part of any such periodic payment which the terms of the decree or written instrument fix, in terms of an amount of money or a portion of the payment, as a sum which is payable for the support of minor children of such husband. In case any such periodic payment is less than the amount specified in the decree or written instrument, for the purpose of applying the preceding sentence, such payment, to the extent of such sum payable for such support, shall be considered a payment for such support. Installment payments discharging a part of an obligation the principal sum of which is, in terms of money or property, specified in the decree or instrument shall not be considered periodic payments for the purposes of this subsection; except that an installment payment shall be considered a periodic payment for the purposes of this subsection if such principal sum, by the terms of the decree or instrument may be or is to be paid within a period ending more than 10 years from the date of such decree or instrument, but only to the extent that such installment payment for the taxable year of the wife (or if more than one such installment payment for such taxable year is received during such taxable year, the aggregate of such installment payments) does not exceed 10 per centum of such principal sum. For the purposes of the preceding sentence, the portion of a payment of the principal sum which is allocable to a period after the taxable year of the wife in which it is received shall be considered an installment payment for the taxable year in which it is received. (In cases where such periodic payments are attributable to property of an estate or property held in trust, see section 171 (b).)"

(b) Deduction for Amounts Paid—Section 23 (relating to deductions from gross income) is amended by inserting at the end thereof the following new subsection:

"(u) Alimony, Etc., Payments—In the case of a husband described in section 22 (k), amounts includible under section 22 (k) in the gross income of his wife, payment of which is made within the husband's taxable year. If the amount of any such payment is, under section 22 (k) or section 171, stated to be not includible in such husband's gross income, no deduction shall be allowed with respect to such payment under this subsection."

(c) Income From Trusts—Supplement E of Chapter 1 is amended by inserting at the end thereof the following new section:

"SEC. 171. Income of an Estate or Trust in Case of Divorce, Etc.

"(a) Inclusion in Gross Income—There shall be included in the gross income of a wife who is diverced or legally separated under a decree of divorce or of separate maintenance the amount of the income of any trust which such wife is entitled to receive and which, except for the provisions of this section, would be includible in the gross income of her husband, and such amount shall not, despite section 166, section 167, or any other provision of this chapter, be includible in the gross income of such husband. This subsection shall not apply to that part of any such income of the trust which the terms of the decree or trust instrument fix, in terms of an amount of money or a portion of such income, as a sum which is payable for the support of minor children of such husband. In case such income is less than the amount specified in the decree or instrument, for the purpose of applying the preceding sentence, such income, to the extent of such sum payable for such support, shall be considered a payment for such support.

"(b) Wife Considered a Beneficiary—For the purposes of computing the net income of the estate or trust and the net income of the wife described in section 22 (k) or subsection (a) of this section, such wife shall be considered as the beneficiary specified in this supplement. A periodic payment under section 22 (k) to any part of which the provisions of this supplement are applicable shall be included in the gross income of the beneficiary in the taxable year in which under this supplement such part is required to be included."

(d) Annuities, Etc.—Section 22 (b) (2) (relating to payments under annuity, etc., contracts) is amended by striking out the heading and inserting in lieu thereof

"(2) Annuities, Etc.—

"(A) In General—"

and by inserting before the semicolon at the end of such subparagraph (A) a period and the following: "This subparagraph and paragraph (1) shall not apply with respect to so much of a payment under a life insurance, endowment, or annuity contract, or any interest therein, as, under section 22 (k), is includible in gross income".

(e) Credit for Dependents—

(1) Credit for Normal Tax and Surtax—Section 25 (b) (2) (A) (relating to credit for dependents) is amended by inserting at the end thereof the following: "A payment to a wife which is includible under section 22 (k) or section 171 in the gross income of such wife shall not be considered a payment by her husband for the support of any dependent."

(2) Credit for Optional Tax under Supplement T—For credit for dependents in case of optional tax, see amendment made by section 104 of this Act.

(f) Definitions—Section 3797 (a) (relating to definitions) is amended by inserting at the end thereof the following new paragraph:

"(17) Husband and Wife—As used in sections 22 (k), 23 (u), 25 (b) (2) (A), and 171, and the last sentence of section 401 (a) (2), if the husband and wife therein referred to are divorced, wherever appropriate to the meaning of such sections, the the term 'wife' shall be read 'former wife' and the term 'husband' shall be read 'former husband'; and, if the payments described in such sections are made by or on behalf of the wife or former wife to the husband or former husband instead of vice versa, wherever appropriate to the meaning of such sections, the term 'husband' shall be read 'wife' and the term 'wife' shall be read 'husband'."

(g) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1941; except that if the first taxable year beginning after December 31, 1941, of the husband does not begin on the same day as the first taxable year beginning after December 31, 1941, of the wife, such amendments shall first become applicable in the case of the husband on the first day of the wife's first taxable year beginning after December 31, 1941, regardless of the taxable year of the husband in which such day falls.

SEC. 121. Non-Trade or Non-Business Deductions

(a) Deduction for Expenses—Section 23 (a) (relating to deduction for expenses) is amended to read as follows:

"(a) Expenses—

"(1) Trade or business expenses—

"(A) In general—All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered; traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

"(B) Corporate Charitable Contributions—No deduction shall be allowable under subparagraph (A) to a corporation for any contribution or gift which would be allowable as a deduction under subsection (q) were it not for the 5 per centum limitation therein contained and for the requirement therein that payment must be made within the taxable year.

"(C) Expenditures for Advertising and Good Will—If a corporation has, for the purpose of computing its excess profits credit under Chapter 2E, claimed the benefits of the election provided in section 733, no deduction shall be allowable under subparagraph (A) to such corporation for expenditures for advertising or the promotion of good will which, under the rules and regulations prescribed under section 733 (a), may be regarded as capital investments.

"(2) Non-Trade or Non-Business Expenses—In the case of an individual, all the ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income, or for the management, conservation, or maintenance of property held for the production of income."

(b) Allocable to Exempt Income—Section 24 (a) (5) (relating to items not deductible) is amended by inserting after "this chapter" the following: ", or any amount otherwise allowable under section 23 (a) (2) which is allocable to interest (whether or not any amount of such interest is received or accrued) wholly exempt from the taxes imposed by this chapter".

(c) Depreciation Deduction—The first sentence of section 23 (l) (relating to deduction for depreciation) is amended to read as follows: "A reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence)—

"(1) of property used in the trade or business, or

"(2) of property held for the production of income."

(d) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1938.

(e) Retroactive Amendment to Prior Revenue Acts—For the purposes of the Revenue Act of 1938 or any prior revenue Act the amendments made to the Internal Revenue Code by this section shall be effective as if they were a part of such revenue Act on the date of its enactment.

SEC. 122. Deduction Allowable to Purchasers for State and Local Retail Sales Taxes

Section 23 (c) (relating to deduction for taxes) is amended by inserting at the end thereof the following new paragraph:

"(3) Retail Sales Tax—In the case of a tax imposed by any State, Territory, District, or possession of the United States, or any political subdivision thereof, upon persons engaged in selling tangible personal property at retail, which is measured by the gross sales price or the gross receipts from the sale or which is a stated sum per unit of such property sold, or upon persons engaged in furnishing services at retail, which is measured by the gross receipts for furnishing such services, if the amount of such tax is separately stated, then to the extent that the amount so stated is paid by the purchaser (otherwise than in connection with the purchaser's trade or business) to such person such amount shall be allowed as a deduction in computing the net income of such purchaser as if such amount constituted a tax imposed upon and paid by such purchaser."

SEC. 123. Deduction for Stock and Bond Losses on Securities in Affiliated Corporations

(a) Stock Losses—

(1) In General—Section 23 (g) (relating to capital losses) is amended by inserting at the end thereof the following:

"(4) Stock in Affiliated Corporation—For the purposes of paragraph (2) stock in a corporation affiliated with the taxpayer shall not be deemed a capital asset. For the purposes of this paragraph a corporation shall be deemed to be affiliated with the taxpayer only if:

"(A) at least 95 per centum of each class of its stock is owned directly by the taxpayer; and

"(B) more than 90 per centum of the aggregate of its gross incomes for all taxable years has been from sources other than royalties, rents, dividends, interest, annuities or gains from sales or exchanges of stocks and securities; and

"(C) the taxpayer is a domestic corporation."

(2) Technical Amendment—Section 23 (g) (3) is amended by inserting before "subsection" the following "paragraph (2) of".

(b) Bond, Etc., Losses—For losses on bonds, etc., of affiliated corporations, see amendment made to section 23 (k) by section 124 of this Act.

SEC. 124. Deduction for Bad Debts, Etc.

(a) General Rule—Section 23 (k) (relating to bad debts and securities becoming worthless) is amended to read as follows:

"(k) Bad Debts—

"(1) General Rule—Debts which become worthless within the taxable year; or (in the discretion of the Commissioner, a reasonable addition to a reserve for bad debts); and when satisfied that a debt is recoverable only in part, the Commissioner may allow such debt, in an amount not in excess of the part which becomes worthless within the taxable year, as a deduction. This paragraph shall not apply in the case of a taxpayer, other than a bank, as defined in section 104, with respect to a debt evidenced by a security as defined in paragraph (3) of this subsection. This paragraph shall not apply in the case of a taxpayer, other than a corporation, with respect to a non-business debt, as defined in paragraph (4) of this subsection.

"(2) Securities Becoming Worthless—If any securities (as defined in paragraph (3) of this subsection) become worthless within the taxable year and are capital assets, the loss resulting therefrom shall, in the case of a taxpayer other than a bank, as defined in section 104, for the purposes of this chapter, be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.

"(3) Definition of Securities—As used in paragraphs (1), (2), and (4) of this subsection the term 'securities' means bonds, debentures, notes, or certificates, or other evidences of indebtedness, issued by any corporation (including those issued by a government or political subdivision thereof), with interest coupons or in registered form.

"(4) Non-Business Debts—In the case of a taxpayer, other than a corporation, if a non-business debt becomes worthless within the taxable year, the loss resulting therefrom shall be considered a loss from the sale or exchange, during the taxable year, of a capital asset held for not more than 6 months. The term 'non-business debt' means a debt other than a debt evidenced by a security as defined in paragraph (3) and other than a debt the loss from the worthlessness of which is incurred in the taxpayer's trade or business.

"(5) Seccurities of Affiliated corporations—Bonds, debentures, notes or certificates, or other evidences of indebtedness issued with interest coupons or in registered form by any corporation affiliated with the taxpayer shall not be deemed capital assets for the purposes of paragraph (2) and paragraph (1) shall apply with respect to such debt except that no such deduction shall be allowed under such paragraph with respect to any such debt which is recoverable only in part. For the purposes of this paragraph a corporation shall be deemed to be affiliated with the taxpayer only if:

"(A) at least 95 per centum of each class of its stock is owned directly by the taxpayer; and

"(B) more than 90 per centum of the aggregate of its gross incomes for all taxable years has been from sources other than royalties, rents, dividends, interest or annuities, or gains from sales or exchanges of stock and securities; and

"(C) the taxpayer is a domestic corporation."

(b) Insurance Companies—Section 204 (c) (6) relating to deductions allowed insurance companies other than life or mutual) is amended to read as follows:

"(6) Debts in the nature of agency balances and bills receivable which become worthless within the taxable year;".

(c) Interest Disallowed—Section 3771 (relating to interest allowable on claims for refund or credit) is amended by adding at the end thereof the following:

"(d) Claims Based on Deduction for Bad Debts or Worthless Securities—If credit or refund of any part of an overpayment would be barred under section 322 (b), except for paragraph (5) thereof, or under section 322 (d), except for clause (2) thereof, no interest shall be allowed or paid with respect to such part of the overpayment for any period beginning after the expiration of the period of limitation provided in section 322 (b) (1) for filing claim for credit or refund of such part of the overpayment and ending at the expiration of six months after the date on which the claim was filed or, in case no claim was filed and the overpayment was found by the Board, ending at the time the petition was filed with the Board."

(d) Effective Date of Amendments—The amendments made by this section adding the last sentence of section 23 (k) (1) and adding section 23 (k) (4) shall be effective only with respect to taxable years beginning after December 31, 1942; the amendment inserting section 23 (k) (5) and amendments related thereto shall be applicable only with respect to taxable years beginning after December 31, 1941; and the other amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1938.

(e) Cross-Reference—For extended period of limitation by reason of debts becoming worthless, see section 169.

SEC. 125. Corporate Contributions to United States, Etc., or for Charitable Use Outside United States Deductible

The first sentence of section 23 (q) (relating to allowance of corporate charitable contributions) is amended to read as follows: "In the case of a corporation, contributions or gifts payment of which is made within the taxable year to or for the use of:

"(1) The United States, any State, Territory, or any political subdivision thereof or the District of Columbia, or any possession of the United States, for exclusively public purposes; or

"(2) A corporation, trust, or community chest, fund, or foundation, created or organized in the United States or in any possession thereof or under the law of the United States, or of any State or Territory, or of the District of Columbia, or of any possession of the United States, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children (but in the case of contributions or gifts to a trust, chest, fund, or foundation, payment of which is made within a taxable year beginning after the date of the cessation of hostilities in the present war, as proclaimed by the President, only if such contributions or gifts are to be used within the United States or any of its possessions exclusively for such purposes), no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation;

to an amount which does not exceed 5 per centum of the taxpayer's net income as computed without the benefits of this subsection."

SEC. 126. Amortizable Bond Premium

(a) Deduction for Amortizable Bond Premium—Section 23 (relating to deductions from gross income) is amended by inserting at the end thereof the following:

"(v) Bond Premium Deduction—In the case of a bondholder, the deduction for amortizable bond premium provided in section 125."

(b) General Rule, Election, and Definitions—The Internal Revenue Code is amended by inserting after section 124 the following new section:

"SEC. 125. Amortizable Bond Premium

"(a) General Rule—In the case of any bond, as defined in subsection (d), the following rules shall apply to the amortizable bond premium (determined under subsection (b)) on the bond for any taxable year beginning after December 31, 1941:

"(1) Interest Wholly or Partially Taxable—In the case of a bond (other than a bond the interest on which is excludible from gross income), the amount of the amortizable bond premium for the taxable year shall be allowed as a deduction.

"(2) Interest Wholly Tax-Exempt—In the case of any bond the interest on which is excludible from gross income, no deduction shall be allowed for the amortizable bond premium for the taxable year.

"(3) Adjustment of Credit In Case of Interest Partially Tax-Exempt—In the case of any bond the interest on which is allowable as a credit against net income, the credit provided in section 25 (a) (1) or (2), or section 26 (a), as the case may be, shall be reduced by the amount of the amortizable bond premium for the taxable year.

"(For adjustment to basis on account of amortizable bond premium, see section 113 (b) (1) (H).

"(b) Amortizable Bond Premium—

"(1) Amount of Bond Premium—For the purposes of paragraph (2), the amount of bond premium, in the case of the holder of any bond, shall be determined with reference to the amount of the basis (for determining loss on sale or exchange) of such bond, and with reference to the amount payable on maturity or on earlier call date, with adjustments proper to reflect unamortized bond premium with respect to the bond, for the period prior to the date as of which subsection (a) becomes applicable with respect to the taxpayer with respect to such bond.

"(2) Amount Amortizable—The amortizable bond premium of the taxable year shall be the amount of the bond premium attributable to such year.

"(3) Method of Determination—The determinations required under paragraphs (1) and (2) shall be made—

"(A) in accordance with the method of amortizing bond premium regularly employed by the holder of the bond, if such method is reasonable,

"(B) in all other cases, in accordance with regulations prescribing reasonable methods of amortizing bond premium, prescribed by the Commissioner with the approval of the Secretary.

"(c) Election on Taxable and Partially Taxable Bonds—

"(1) Eligibility to Elect and Bonds with Respect to Which Election Permitted—This section shall apply with respect to the following classes of taxpayers with respect to the following classes of bonds only if the taxpayer has elected to have this section apply.

"(A) Partially Tax-Exempt—In the case of a taxpayer other than a corporation, bonds with respect to the interest on which the credit provided in section 25 (a) (1) or (2) is allowable; and

"(B) Wholly Taxable—In the case of any taxpayer, bonds the interest on which is not excludible from gross income but with respect to which the credit provided in section 25 (a) (1) or (2), or section 26 (a), as the case may be, is not allowable.

"(2) Manner and Effect of Election—The election authorized under this subsection shall be made in accordance with such regulations as the Commissioner with the approval of the Secretary shall prescribe. If such election is made with respect to any bond (described in paragraph (1)) of the taxpayer, it shall also apply to all such bonds held by the taxpayer at the beginning of the first taxable year to which the election applies and to all such bonds thereafter acquired by him and shall be binding for all subsequent taxable years with respect to all such bonds of the taxpayer, unless, upon application by the taxpayer, the Commissioner permits him, subject to such conditions as the Commissioner deems necessary, to revoke such election. The election authorized under this subsection in the case of a member of a partnership shall be exercisable with respect to bonds of the partnership only by the partnership. In the case of bonds held by a common trust fund, as defined in section 169, or by a foreign personal holding company, as defined in section 331, the election authorized under this subsection shall be exercisable with respect to such bonds only by the common trust fund or foreign personal holding company.

"(d) Definition of Bond—As used in this section, the term 'bond' means any bond, debenture, note, or certificate or other evidence of indebtedness, issued by any corporation and bearing interest (including any like obligation issued by a government or political subdivision thereof), with interest coupons or in registered form, but does not include any such obligation which constitutes stock in trade of the taxpayer or any such obligation of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or any such obligation held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business."

(c) Adjustment to Basis—Section 113 (b) (1) (relating to adjustments to basis) is amended by inserting at the end thereof the following new subparagraph:

"(H) in the case of any bond (as defined in section 125) the interest on which is wholly exempt from the tax imposed by this chapter, to the extent of the amortizable bond premium disallowable as a deduction pursuant to section 125 (a) (2), and in the case of any other bond (as defined in such section) to the extent of the deductions allowable pursuant to section 125 (a) (1) with respect thereto."

(d) Credits of Estate or Trust and Beneficiary—Section 163 (relating to credits of estate or trust and beneficiary) is amended by inserting at the end thereof the following new subsection:

"(c) Credits of Estate or Trust and Beneficiary in Case of Bond Premium—If the estate or trust elects under section 125 to treat the premium on bonds, the interest on which is allowable as a credit under section 25 (a) (1) or (2), as amortizable,

"(1) For the purposes of subsection (a) (2), the credits allowed by section 25 (a) shall be reduced as provided in section 125 (a) (3);

"(2) For the purposes of subsection (b), the proportionate share of the legatee, heir, or beneficiary of such interest shall be his proportionate share of such interest (determined without regard to this paragraph) reduced by so much of the deduction under section 23 (v) as is attributable to such share. The remainder of such deduction, for the purposes of the last sentence of subsection (b), shall be applied in reduction of such credits of the estate or trust."

(e) Credit of Participant in Common Trust Fund for Partially Tax-Exempt Interest—Section 169 (c) (2) (relating to credits of participants) is amended by inserting at the end thereof the following new sentence: "If the common trust fund elects under section 125 to treat the premium on bonds, the interest on which is allowable as a credit under section 25 (a) (1) or (2), as amortizable, for the purposes of the preceding sentence the proportionate share of the participant of such interest received by the common trust fund shall be his proportionate share of such interest (determined without regard to this sentence) reduced by so much of the deduction under section 23 (v) as is attributable to such share."

(f) Credit of Partner for Partially Tax-Exempt Interest—Section 184 (relating to credits of partners) is amended by inserting at the end thereof the following new sentence: "If the partnership elects under section 125 to treat the premium on bonds, the interest on which is allowable as a credit under section 25 (a) (1) or (2), as amortizable, for the purposes of the preceding sentence the partner's proportionate share of the interest received by the partnership shall be his proportionate share of such interest (determined without regard to this sentence) reduced by so much of the deduction under section 23 (v) as is attributable to such share."

(g) Credit of United States Shareholder for Partially Tax-Exempt Interest—Section 337 (c) (relating to credits of United States shareholders) is amended by inserting at the end thereof the following new sentence: "If the foreign personal holding company elects under section 125 to treat the premium on bonds, the interest on which is allowable as a credit under section 25 (a) (1) or (2), as amortizable, for the purposes of the preceding sentence each United States shareholder's proportionate share of such interest received by the foreign personal holding company shall be his proportionate share of such interest (determined without regard to this sentence) reduced by so much of the deduction under section 23 (v) as is attributable to such share."

(h) Credit of Shareholder of Personal Service Corporation for Partially Tax-Exempt Interest—Section 394 (e) (relating to the credits of shareholders of a personal service corporation) is amended by inserting at the end thereof the following new sentence: "For any taxable year of the corporation beginning after December 31, 1941, each such shareholder's proportionate share of such interest received by the corporation shall be his proportionate share of such interest (determined without regard to this sentence) reduced by so much of the deduction under section 23 (v) as is attributable to such share."

(i) Cross References—

(1) Section 25 (a) (2) (relating to credits for normal tax) is amended by inserting at the end thereof the following: "(For reduction of credit ununder paragraph (1) or (2) on account of amortizable bond premium, see section 125)."

(2) Section 26 (a) (relating to credits of corporations) is amended by inserting at the end thereof the following: "(For reduction of credit under this subsection on account of amortizable bond premium, see section 125)."

SEC. 127. Deduction for Medical, Dental, Etc., Expenses

(a) Allowance of Deduction—Section 23 (relating to deductions from gross income) is amended by inserting at the end thereof the following new subsection:

"(x) Medical, Dental, Etc., Expenses — Except as limited under paragraph (1) or (2), expenses paid during the taxable year, not compensated for by insurance or otherwise, for medical care of the taxpayer, his spouse, or a dependent specifed in section 25 (b) (2) (A) of the taxpayer. The term 'medical care,' as used in this subsection, shall include amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body (including amounts paid for accident or health insurance).

"(1) A husband and wife who file a joint return may deduct only such expenses as exceed 5 per centum of the aggregate net income of such husband and wife, computed without the benefit of this subsection, and the maximum deduction for the taxable year shall be not in excess of $2,500 in the case of such husband and wife.

"(2) An individual who files a separate return may deduct only such expenses as exceed 5 per centum of the net income of the taxpayer, computed without the benefit of this subsection, and the maximum deduction for the taxable year shall be not in excess of $2,500 in the case of the head of a family, and not in excess of $1,250 in the case of all other such individuals."

(b) Items Not Deductible—Section 24 (a) (relating to items not deductible) is amended by striking paragraph 1 and inserting in lieu thereof the following:

"(1) Personal, living, or family expenses, except extraordinary medical expenses deductible under section 23 (x);".

(c) Charitable Deductions—Section 23 (o) (relating to deduction for charitable and other contributions) is amended by striking the period at the end of the next to the last sentence and by inserting in lieu thereof the following: "or of subsection (x)."

(d) Compensation From Insurance—Section 22 (b) (5) (relating to exclusion from gross income of compensation for injuries or sickness) is amended by striking out "Amounts received" and inserting in lieu thereof "Except in the case of amounts attributable to (and not in excess of) deductions allowed under section 23 (x) in any prior taxable year, amounts received".

SEC. 128. Deduction of Certain Amounts Paid To Cooperative Apartment Corporation

Section 23 (relating to deductions from gross income) is amended by inserting at the end thereof the following new subsection:

"(z) Amounts Represeting Taxes and Interest Paid to Cooperative Apartment Corporation—

"(1) In General—In the case of a tenant-stockholder (as defined in paragraph (2)), amounts, not otherwise deductible, paid or accrued to a cooperative apartment corporation within the taxable year, if such amounts represent that proportion of the real estate taxes on the apartment building and the land on which it is situated, allowable as deductions under subsection (c), paid or incurred by the corporation, or of the interest paid or incurred by the corporation on its indebtedness contracted in the acquisition, construction, alteration, rehabilitation, or maintenance of such apartment building or in the acquisition of the land on which the building is located, which the stock of the corporation owned by the tenant-stockholder is of the total outstanding stock of the corporation, including that held by the corporation.

"(2) Definitions—For the purposes of this subsection—

"(A) Cooperative Apartment Corporation—The term 'cooperative apartment corporation' means a corporation—

"(i) having one and only one class of stock outstanding,

"(ii) all of the stockholders of which are entitled, solely by reason of their ownership of stock in the corporation, to occupy for dwelling purposes apartments in a building owned or leased by such corporation, and who are not entitled, either conditionally or unconditionally, except upon a complete or partial liquidation of the corporation, to receive any distribution not out of earnings and profits of the corporation, and

"(iii) 80 per centum or more of the gross income of which for the taxable year in which the taxes and interest described in paragraph (1) are paid or incurred is derived from tenant-stockholders.

"(B) Tenant-Stockholder — The term 'tenant-stockholder' means an individual who is a stockholder in a cooperative apartment corporation, and whose stock is fully paid-up in an amount not less than an amount shown to the satisfaction of the Commissioner as bearing a reasonable relationship to the portion of the value of the corporation's equity in the building and the land on which it is situated which is attributable to the apartment which such individual is entitled to occupy."

SEC. 129. Deduction Denied if Proceeds Used To Pay For Insurance

Section 24 (a) (relating to items not deductible) is amended by striking out "or" at the end of paragraph (4), and striking out the period and inserting a semicolon, and at the end of the subsection adding the following new paragraph:

"(6) Any amount paid or accrued on indebtedness incurred or continued to purchase a single premium life insurance or endowment contract. For the purposes of this paragraph, if substantially all the premiums on a life insurance or endowment contract are paid within a period of four years from the date on which such contract is purchased, such contract shall be considered a single premium life insurance or endowment contract; or".

SEC. 130. Taxes and Other Charges Chargeable to Capital Account not Deductible but Treated as Capital Items

(a) Deductions Not Allowable—Section 24 (a) (relating to items not deductible) is amended by inserting at the end thereof the following new paragraph:

"(7) Amounts paid or accrued for such taxes and carrying charges as, under regulations prescribed by the Commissioner with the approval of the Secretary, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such regulations, to treat such taxes or charges as so chargeable."

(b) Technical Amendment—Section 113 (b) (1) (A) (relating to adjustment of basis) is amended by striking out ", including taxes and other carrying charges on unimproved and unproductive real property".

SEC. 131. Reduction of Personal Exemption and Credit For Dependents—Requirement for Return

(a) Personal Exemption—

(1) General Rule—Section 25 (b) (1) (relating to personal exemption) is amended to read as follows:

"(1) Personal Exemption—In the case of a single person or a married person not living with husband or wife, a personal exemption of $500; or in the case of the head of a family or a married person living with husband or wife, a personal exemption of $1,200. A husband and wife living together shall receive but one personal exemption. The amount of such personal exemption shall be $1,200. If such husband and wife make separate returns, the personal exemption may be taken by either or divided between them."

(2) Nonresident Aliens—Section 214 (relating to personal exemption of nonresident alien individuals) is amended to read as follows:

"SEC. 214. Credits Against Net Income

"In the case of a nonresident alien individual the personal exemption allowed by section 25 (b) (1) of this chapter shall, except as hereinafter provided in the case of a resident of a contiguous country, be only $500. In the case of a nonresident alien individual residing in a contiguous country who is married and living with husband or wife or who is the head of a family, the personal exemption shall be that specified in section 25 (b) if such contiguous country allows to citizens of the United States not residing in such country who are married and living with husband or wife and to citizens of the United States not residing in such country who are heads of families the same personal exemption as that allowed citizens of such country who are married and living with husband or wife or who are heads of families, as the case may be. The credit for dependents allowed by section 25 (b) (2) shall not be allowed in the case of a non-resident alien individual unless he is a resident of a contiguous country."

(3 Citizens of Possessions, Etc.—Section 251 (f) (relating to personal exemption of citizens entitled to benefits of section 251) is amended by striking out "$750" and inserting in lieu thereof "$500".

(b) Credit for Dependents—Section 25 (b) (2) (A) (relating to credit for dependents) is amended by striking out "$400" and inserting in lieu thereof "$350".

(c) Return Requirement—

(1) General Rule—Section 51 (a) (relating to general requirement of return) is amended by striking out "$1,500" wherever occurring therein and inserting in lieu thereof "$1,200" and by striking out "$750" and inserting in lieu thereof "$500".

(2) Fiduciary Returns—Section 142 (a) (requiring returns of fiduciaries) is amended by striking out "$1,500" wherever occurring therein and inserting in lieu thereof "$1,200", and by striking out "$750" wherever occurring therein and inserting in lieu thereof "$500".

(3) Information Returns—Section 147 (a) (relating to information at the source) is amended by striking out "$750" wherever occurring therein and inserting in lieu thereof "$500".

SEC. 132. Computation of Net Operating Loss Credit and Dividends Paid Credit

(a) Net Operating Loss Credit—

(1) Limitations—Section 26 (c) (1) (relating to amount of net operating loss credit) is amended to read as follows:

"(1) Amount of Credit—The amount of net operating loss (as defined in paragraph (2)) of the corporation for the preceding taxable year (if beginning after December 31, 1937) but not in excess of (A) the section 102 net income for the taxable year, in the case of the tax imposed by section 102; (B) the Supplement P net income for the taxable year, in the case of the computations required under Supplement P; or (C) the Subchapter A net income for the taxable year, in the case of the tax imposed under Subchapter A."

(2) Net Operating Loss Deduction—Section 26 (c) (2) is amended by inserting after subparagraph (B) the following new subparagraph:

"(C) For the purposes of this paragraph, the net operating loss deduction provided in section 122 shall not be allowed."

(3) Clerical Amendment—Section 26 (c) (2) is amended by striking out "section" where it appears the second and fourth times and inserting in lieu thereof "chapter".

(b) Basic Surtax Credit—The last sentence of section 27 (b) (relating to definition of basic surtax credit) is amended to read as follows: "The aggregate of the amounts under paragraphs (2) and (3) shall not exceed (A) the section 102 net income for the taxable year, in the case of the tax imposed by section 102; (B) the Supplement P net income for the taxable year, in the case of the computations required under Supplement P; or (C) the Subchapter A net income for the taxable year, in the case of the tax imposed under Subchapter A."

(c) Dividend Carry-Over—Section 27 (c) (relating to dividend carry-over) is amended to read as follows:

"(c) Dividend Carry-Over—There shall be computed with respect to each taxable year of a corporation a dividend carry-over to such year from the two preceding taxable years, which shall consist of the sum of—

"(1) The amount of the basic surtax credit for the second preceding taxable year, reduced by the Subchapter A net income for such year, and further reduced by the amount, if any, by which the Subchapter A net income for the first preceding taxable year exceeds the sum of—

"(A) The basic surtax credit for such year; and

"(B) The excess, if any, of the basic surtax credit for the third preceding taxable year over the Subchapter A net income for such year; and

"(2) The amount, if any, by which the basic surtax credit for the first preceding taxable year exceeds the Subchapter A net income for such year. In the case of a preceding taxable year referred to in this subsection, the Subchapter A net income shall be determined as if the corporation was, under the law applicable to such taxable year, a personal holding company."

(d) Technical Amendment—Section 504 (a) (relating to definition of undistributed Subchapter A net income) is amended by striking out ", and, in the computation of the dividend carry-over for the purposes of this subchapter, the term, adjusted net income, as used in section 27 (c) means the adjusted net income minus the deduction allowed for Federal taxes under section 505 (a) (1)".

(e) Years to Which Amendments Applicable — The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1939, but shall be applicable in the computations with respect to previous taxable years for the purpose of ascertaining the amount of any dividend carry-over from such previous taxable years.

SEC. 133. Credit for Dividends Paid on Certain Preferred Stock

Section 26 is amended by inserting at the end thereof the following new subsection:

"(h) Credit for Dividends Paid on Certain Preferred Stock—

"(1) Amount of credit—In the case of a public utility, the amount of dividends paid during the taxable year on its preferred stock. The credit provided in this subsection shall be subtracted from the basic surtax credit provided in section 27.

"(2) Definitions—As used in this subsection and section 15 (a)—

"(A) Public Utility—The term 'public utility' means a corporation engaged in the furnishing of telephone service or in the sale of electric energy, gas, or water, if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof or by an agency or instrumentality of the United States or by a public utility or public service commission or other similar body of the District of Columbia or of any State or political subdivision thereof.

"(B) Preferred Stock — The term 'preferred stock' means stock issued prior to October 1, 1942, which during the whole of the taxable year (or the part of the taxable year after its issue) was stock the dividends in respect of which were cumulative, limited to the same amount, and payable in preference to the payment of dividends on other stock."

SEC. 134. Income In Respect of Decedents

(a) General Rule—The last sentence of section 42 (a) (relating to inclusion in gross income of amounts accrued up to death of taxpayer) is amended to read as follows: "In the case of the death of a taxpayer whose net income is computed upon the basis of the accrual method of accounting, amounts (except amounts includible in computing a partner's net income under section 182) accrued only by reason of the death of the taxpayer shall not be included in computing net income for the period in which falls the date of the taxpayer's death."

(b) Deductions and Credits—The last sentence of section 43 (relating to deductions and credits accrued up to death of taxpayer) is amended to read as follows: "In the case of the death of a taxpayer whose net income is computed upon the basis of the accrual method of accounting, amounts (except amounts includible in computing a partner's net income under section 182) accrued as deductions and credits only by reason of the death of the taxpayer shall not be allowed in computing net income for the period in which falls the date of the taxpayer's death.".

(c) Cross Reference—Section 22 (relating to definition of gross income) is amended by inserting at the end thereof the following:

"(l) Income of Decedents—For inclusion in gross income of certain amounts which constituted gross income in respect of a decedent, see section 126."

(d) Deductions of Estate—Section 23 (relating to deductions) is amended by inserting at the end thereof the following:

"(w) Deductions of Estate, Etc., on Account of Decedent's Deductions—

'(1) In the case of a person described in section 126 (b), the amount of the deductions in respect of a decedent to the extent allowed by such subsection.

"(2) In the case of a person described in section 126 (a), the amount of the deductions in respect of a decedent to the extent allowed by section 126 (c)."

(e) The Internal Revenue Code is amended by inserting after section 125 the following new section:

"SEC. 126. Income In Respect of Decedents

"(a) Inclusion in Gross Income—

"(1) General rule—The amount of all items of gross income in respect of a decedent which are not properly includible in respect of the taxable period in which falls the date of his death or a prior period shall be included in the gross income, for the taxable year when received, of:

"(A) the estate of the decedent, if the right to receive the amount is acquired by the decedent's estate from the decedent;

"(B) the person who, by reason of the death of the decedent, acquires the right to receive the amount, if the right to receive the amount is not acquired by the decedent's estate from the decedent; or

"(C) the person who acquires from the decedent the right to receive the amount by bequest, devise, or inheritance, if the amount is received after a distribution by the decedent's estate of such right.

"(2) Income in case of sale, etc.—If a right, described in paragraph (1), to receive an amount is transferred by the estate of the decedent or a person who receives such right by reason of the death of the decedent or by bequest, devise, or inheritance from the decedent, there shall be included in the gross income of the estate or such person, as the case may be, for the taxable period in which the transfer occurs, the fair market value of such right at the time of such transfer plus the amount by which any consideration for the transfer exceeds such fair market value. For the purposes of this paragraph, the term 'transfer' includes sale, exchange, or other disposition, but does not include a transfer to a person pursuant to the right of such person to recive such amount by reason of the death of the decedent or by bequest, devise, or inheritance from the decedent.

"(3) Character of income determined by reference to decedent—The right, described in paragraph (1), to receive an amount shall be treated, in the hands of the estate of the decedent or any person who acquired such right by reason of the death of the decedent, or by bequest, devise, or inheritance from the decedent, as if it had been acquired by the estate or such person in the transaction by which the decedent acquired such right; and the amount includible in gross income under paragraph (1) or (2) shall be considered in the hands of the estate or such person to have the character which it would have had in the hands of the decedent if the decedent had lived and received such amount.

"(b) Allowance of Deductions and Credit—The amount of any deduction specified in section 23 (a), (b), (c), or (m) (relating to deductions for expenses, interest, taxes, and depletion) or credit specified in section 31 (foreign tax credit), in respect of a decedent which is not properly allowable to the decedent in respect of the taxable period in which falls the date of his death, or a prior period, shall be allowed:

"(1) Expenses, interest, and taxes—In the case of a deduction specified in section 23 (a), (b), or (c) and a credit specified in section 31, in the taxable year when paid,—

"(A) to the estate of the decedent; except that

"(B) if the estate of the decedent is not liable to discharge the obligation to which the deduction or credit relates, to the person who, by reason of death of the decedent or by bequest, devise, or inheritance acquires, subject to such obligation, from the decedent an interest in property of the decedent.

"(2) Depletion—In the case of the deduction specified in section 23 (m), to the person described in subsection (a) (1) (A), (B), or (C) who, in the manner described therein, receives the income to which the deduction relates, in the taxable year when such income is received.

"(c) Deduction for Estate Tax—

"(1) Allowance of deduction—A person who includes an amount in gross income under subsection (a) shall be allowed, for the same taxable year, as a deduction an amount which bears the same ratio to the estate tax attributable to the net value for estate tax purposes of all the items described in subsection (a) (1) as the value for estate tax purposes of the items of gross income or portions thereof in respect of which such person included the amount in gross income (or the amount included in gross income, whichever is lower) bears to the value of estate tax purposes of all the items described in subsection (a) (1).

"(2) Method of computing deduction — For the purposes of paragraph (1):

"(A) The term 'estate tax' means the tax imposed upon the estate of the decedent under section 810 or 860, reduced by the credits against such tax, plus the tax imposed upon the estate of the decedent under section 935, reduced by the credits against such tax.

"(B) The net value for estate tax purposes of of all items described in subsection (a) () over be the excess of the value for estate tax purposes of all items described in subsection (a) (1) over the deductions from the gross estate in respect of claims which represent the deductions and credit described in subsection (b).

"(C) The estate tax attributable to such net value shall be an amount equal to the excess of the estate tax over the estate tax computed without including in the gross estate such net value."

(f) Effective Date of Amendments—The amendments made by subsections (a) and (b) of this section shall be applicable with respect to taxable years beginning after December 31, 1942, and the amendments made by subsections (c), (d), and (e) of this section shall be applicable with respect to taxable years ending after December 31, 1942.

(g) Taxable Years Before 1943—In case the taxable period in which falls the date of the death of the decedent began after December 31, 1933, and before January 1, 1943, the tax for such taxable period shall be computed as if provisions corresponding to the provisions of sections 42 (a) and 43 of the Internal Revenue Code, as amended by subsections (a) and (b) of this section, were a part of the Revenue Act of 1934, the Revenue Act of 1936, the Revenue Act of 1938, or the Internal Revenue Code, whichever is applicable to such taxable period. In the case of the estate of such a decedent and of each person who acquires by reason of the death of such decedent or by bequest, devise, or inheritance from such decedent the right to receive the amount of items of gross income of the decedent which upon the application of the preceding sentence are not properly includible in respect of the taxable period in which falls the date of the decedent's death or a prior period, the tax for each taxable period ending on or after the date on which the decedent died shall be computed by including in gross income the amounts with respect to such decedent which would be includible, and by allowing as deductions and credits the amounts with respect to such decedent which would be allowable, if provisions corresponding to the provisions of the section inserted in the Internal Revenue Code by subsection (e) of this section were a part of the law applicable to such taxable period. The provisions of this subsection shall not be applicable unless there are filed with the Commissioner (in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, and at the time prescribed by such regulations) signed consents made under oath by the fiduciary representing the estate and by each such person (or if any such person is no longer in existence or is under disability, by his legal representative) that with respect to such amounts the tax of the estate, or the tax of such person, as the case may be, shall be computed under the provisions of this subsection for each taxable period ending on or after the date of the death of the decedent and the tax of the decedent shall be computed under such provisions for the taxable period of the decedent in which falls the date of his death. If such consent is filed after the time for the filing of the return with respect to any such taxable period, the deficiency resulting from the failure to compute the tax for such taxable period in accordance with such consent shall be paid on the date of the filing of the consent with the Commissioner, or on the date prescribed for the payment of the tax for the taxable period, whichever is later, and the period of limitations provided in sections 275 and 276 of the Internal Revenue Code or a corresponding provision of a prior revenue law on the making of assessments and the beginning of distraint or a proceeding in court for collection shall with respect to such deficiency include one year immediately after the date the consent was filed, and such assessment and collection may be made notwithstanding any provision of the internal revenue laws or any rule of law which would otherwise prevent such assessment and collection. The period within which claim for credit or refund may be filed, or credit or refund allowed or made if no claim is filed, with respect to any overpayment resulting from the failure to compute the tax for any such taxable period (except the taxable period of the decedent in which falls the date of his death) in accordance with such consent shall include one year immediately after the date of the filing of the consent, and credit or refund may be allowed or made notwithstanding any provision of the internal revenue laws or any rule of law which would otherwise prevent such credit or refund, but no interest shall be allowed or paid with respect to any such overpayment. The provisions of section 322 (b) (2) and (3) of the Internal Revenue Code or a corresponding provision of a prior revenue law shall not apply to the refund of any such overpayment. If the application of this subsection to the taxable period of the decedent in which falls the date of his death results in a deficiency for such taxable period, and if the income tax of the decedent for such period was deducted in computing the net estate of the decedent under Chapter 3 of the Internal Revenue Code or under a corresponding title of a prior revenue law, and if at the time such deficiency is assessed credit or refund of any resulting overpayment in respect of the taxes imposed by such Chapter 3 or corresponding title upon such net estate is prevented by any provision of the internal revenue laws or by any rule of law, then the amount of such deficiency which is assessed and collected shall be reduced by the amount of such resulting overpayment under such Chapter 3 or corresponding title which would be credited or refunded if credit or refund thereof were not so prevented. This subsection shall not be deemed to change any provision of law limiting the allowance of refund or credit with respect to overpayments for the taxable period of the decedent in which falls the date of his death, and no interest shall be allowed or paid with respect to any overpayment resulting from the application of this subsection to such taxable period. If the application of this subsection to the taxable period of the decedent in which falls the date of his death results in an overpayment for such taxable period, and if such overpayment was included as part of the income tax of the decedent which was deducted in computing the net estate of the decedent under Chapter 3 of the Internal Revenue Code or under a corresponding title of a prior revenue law, and if, at the time such overpayment is credited or refunded the assessment and collection of deficiencies in respect of the taxes imposed by such Chapter 3 or corresponding title upon such net estate is prevented by any provision of the internal revenue laws or by any rule of law, then the amount of such overpayment which is credited or refunded shall be reduced by the amount of the resulting deficiencies under such Chapter 3 or corresponding title which would be assessable if the assessment and collection thereof were not so prevented.

SEC. 135. Returns for a Period of Less Than Twelve Months

(a) Income Placed on an Annual Basis—Section 47 (c) is amended to read as follows:

"(c) Income Placed on Annual Basis—

"(1) General rule—If a separate return is made under subsection (a) on account of a change in the accounting period, the net income, computed on the basis of the period for which separate return is made (referred to in this subsection as 'the short period'), shall be placed on an annual basis by multiplying the amount thereof by twelve, and dividing by the number of months in the short period. The tax shall be such part of the tax computed on such annual basis as the number of months in the short period is of twelve months.

"(2) Exception—If the taxpayer establishes the amount of his net income for the period of twelve months beginning with the first day of the short period, computed as if such twelve-month period were a taxable year, under the law applicable to such year, then the tax for the short period shall be reduced to an amount which is such part of the tax computed on the net income for such twelve-month period as the net income computed on the basis of the short period is of the net income for the twelve-month period. The taxpayer (other than a taxpayer to which the next sentence applies) shall compute the tax and file his return without the application of this paragraph. If the taxpayer (other than a corporation) was not in existence at the end of the twelve-month period, or if the taxpayer is a corporation and has disposed of substantially all its assets prior to the end of such twelve-month period, then in lieu of the net income for such twelve-month period there shall be used for the purposes of this paragraph the net income for the twelve-month period ending with the last day of the short period. The tax computed under this paragraph shall in no case be less than the tax computed on the net income for the short period without placing such net income on an annual basis. The benefits of this paragraph shall not be allowed unless the taxpayer, at such time as regulations prescribed hereunder require (but not after the time prescribed for the filing of the return for the first taxable year which ends on or after twelve months after the beginning of the short period), makes application therefor in accordance with such regulations. Such application, in case the return was filed without regard to this paragraph, shall be considered a claim for credit or refund with respect to the amount by which the tax is reduced under this paragraph. The Commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary for the application of this paragraph."

(b) Income for Certain Taxes Not Placed on Annual Basis—

(1) Surtax on Corporations Improperly Accumulating Surplus—Section 102 is amended by inserting at the end thereof the following new subsection:

"(f) Income Not Placed on Annual Basis—Section 47 (c) shall not apply in the computation of the tax imposed by this section."

(2) Foreign Personal Holding Companies—Section 336 is amended by inserting at the end thereof the following new subsection:

"(d) Income Not Placed on Annual Basis—The net income shall be computed without regard to section 47 (c)."

(3) Personal Service Corporations—Section 393 is amended by inserting at the end thereof the following new sentence: "For the purposes of this section, the net income shall be computed without regard to section 47 (c)."

(4) Personal holding companies—Section 505 is amended by inserting at the end thereof the following new subsection:

"(e) Income Not Placed on Annual Basis—The net income shall be computed without regard to section 47 (c)."

(c) Returns Where Taxpayer Not In Existence for Twelve Months—Section 47 is amended by inserting at the end thereof the following new subsection:

"(g) Returns Where Taxpayer Not In Existence For Twelve Months—In the case of a taxpayer not in existence during the whole of an annual accounting period ending on the last day of a month, or, if the taxpayer has no such annual accounting period or does not keep books, during the whole of a calendar year, the return shall be made for the fractional part of the year during which the taxpayer was in existence."

(d) Short Taxable Year—The second sentence of section 48 (a) is amended to read as follows: "'Taxable year' means, in the case of a return made for a fractional part of a year under the provisions of this chapter or under regulations prescribed by the Commissioner with the approval of the Secretary, the period for which such return is made."

SEC. 136. Declaration That Return Made under Penalties for Perjury in Lieu of Oath

(a) Declaration on Returns—So much of the first sentence of section 51 (relating to requirement of individual returns) as reads as follows: "The following individuals shall each make under oath a return stating" is amended to read as follows: "The following individuals shall each make a return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury, stating".

(b) Penalty—Section 145 (relating to penalties) is amended by inserting after subsection (b) the following new subsection:

"(c) Any individual who wilfully makes and subscribes a return which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code."

(c) Clerical Amendments—Section 145 (c) is amended by striking out "(c)" and inserting in lieu thereof "(d)" and section 145 (d) is amended by striking out "(d)" and inserting in lieu thereof "(e)".

SEC. 137. Exemption of Voluntary Employees' Beneficiary Associations

(a) Exemption of Voluntary Employees' Beneficiary Association—Section 101 (16) of the Internal Revenue Code, and of the Revenue Acts of 1938, 1936, and 1934, and section 103 (16) of the Revenue Acts of 1932 and 1928, are amended to read as follows:

"(16) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (A) no part of their net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (B) 85 per centum or more of the income consists of amounts collected from members and amounts contributed to the association by the employer of the members for the sole purpose of making such payments and meeting expenses;".

(b) Retroactive Effect—For the purposes of the Internal Revenue Code and the Revenue Acts of 1928, 1932, 1934, 1936, and 1938, the amendments made to the Internal Revenue Code and those Acts by subsection (a) of this section shall be effective as if they were a part of the Internal Revenue Code and such revenue Acts on the respective dates of their enactment.

(c) Amendments Inapplicable to Employment Taxes—The amendments made by this section shall not apply to the employment taxes imposed by Subchapters A and C of Chapter 9 of the Internal Revenue Code, or the corresponding provisions of a prior law.

SEC. 138. Denial of Capital Loss Carry-Over to Section 102 Companies

That part of section 102 (d) (1) (relating to definition of section 102 net income) which precedes subparagraph (A) is amended to read as follows:

"(1) Section 102 Net Income—The term 'section 102 net income' means the net income, computed without the benefit of the capital loss carry-over provided in section 117 (e) from a taxable year which begins after December 31, 1940, and computed without the net operating loss deduction provided in section 23 (s), minus the sum of—".

SEC. 139. Compensation for Services Rendered for A Period of Thiryt-Six Months or More

(a) Section 107 is amended to read as follows:

"SEC. 107. Compensation for Services Rendered For a Period of Thiryt-Six Months or More

"(a) Personal Services—If at least 80 per centum of the total compensation for personal services covering a period of thirty-six calendar months or more (from the beginning to the completion of such services) is received or accrued in one taxable year by an individual or a partnership, the tax attributable to any part thereof which is included in the gross income of any individual shall not be greater than the aggregate of the taxes attributable to such part had it been included in the gross income of such individual ratably over that part of the period which precedes the date of such receipt or accrual.

"(b) Patent, Copyright, Etc.—For the purposes of this subsection, the term 'artistic work or invention', in the case of an individual, means a literary, musical, or artistic composition of such individual or a patent or copyright covering an invention of or a literary, musical, or artistic composition of such individual, the work on which by such individual covered a period of thirty-six calendar months or more from the beginning to the completion of such composition or invention. If, in the taxable year, the gross income of any individual from a particular artistic work or invention by him is not less than 80 per centum of the gross income in respect of such artistic work or invention in the taxable year plus the gross income therefrom in previous taxable years and the twelve months immediately succeeding the close of the taxable year, the tax attributable to the part of such gross income of the taxable year which is not taxable as a gain from the sale or exchange of a capital asset held for more than 6 months shall not be greater than the aggregate of the taxes attributable to such part had it been received ratably over that part of the period preceding the close of the taxable year but not more than thirty-six calendar months.

"(c) Fractional Parts of a Month—For the purposes of this section a fractional part of a month shall be disregarded unles it amounts to more than half a month in which case it shall be considered as a month."

(b) The amendment made by subsection (a) shall be applicable to taxable years beginning after December 31, 1940, but with respect to a taxable year beginning after December 31, 1940, and not beginning after December 31, 1941, the period specified in such subsection shall be sixty months in lieu of thirty-six months, and the percentage specified in such subsection shall be 75 per centum in lieu of 80 per centum.

SEC. 140. Certain Fiscal Year Taxpayers

(a) Computation of Tax for Year Ending in 1942—The Internal Revenue Code is amended by inserting after section 107 the following new section:

"SEC. 108. Taxable Years Beginning In 1941 and Ending After June 30, 1942

"(a) General Rule—In the case of a taxable year beginning in 1941 and ending after June 30, 1942, the tax imposed by sections 11, 12, 13, 14, and 15 shall be—

"(1) Corporations—In the case of a corporation an amount equal to the sum of—

"(A) that portion of a tentative tax, computed without regard to section 140 of the Revenue Act of 1942, which the number of days in such taxable year before July 1, 1942, bears to the total number of days in such taxable year, plus

"(B) that portion of a tentative tax, computed as if the amendments made by section 105 (a) and the amendments made by sections 105 (b) (other than those relating to dividends on the preferred stock of public utilities) (c), (d), and (e) (1) of the Revenue Act of 1942 were applicable to such taxable year, which the number of days in such taxable year after June 30, 1942, bears to the total number of days in such taxable year.

"(2) Taxpayers other than corporations—In the case of a taxpayer other than a corporation, an amount equal to the sum of—

"(A) that portion of a tentative tax, computed without regard to section 140 of the Revenue Act of 1942, which the number of days in such taxable year before July 1, 1942, bears to the total number of days in such taxable year, plus

"(B) that portion of a tentative tax, computed as if the amendments made by sections 102 and 103 of the Revenue Act of 1942 were applicable to such taxable year, which the number of days in such taxable year after June 30, 1942, bears to the total number of days in such taxable year.

"(b) Special Classes of Taxpayers—This section shall not apply to an insurance company subject to Supplement G, an investment company subject to Supplement Q, or a Western Hemisphere Trade Corporation, as defined in section 109."

(b) Taxable Years to Which Amendment Applicable—The amendment made by this section shall be applicable to taxable years beginning in 1941 and ending after June 30, 1942.

SEC. 141. Western Hemisphere Trade Corporations

The Internal Revenue Code is amended by inserting after section 108 the following new section:

"SEC. 109. Western Hemisphere Trade Corporations

"For the purposes of this chapter, the term 'western hemisphere trade corporation' means a domestic corporation all of whose business is done in any country or countries in North, Central, or South America, or in the West Indies, or in Newfoundland and which satisfies the following conditions:

"(a) If 95 per centum or more of the gross income of such domestic corporation for the three-year period immediately preceding the close of the taxable year (or for such part of such period during which the corporation was in existence) was derived from sources other than sources within the United States; and

"(b) If 90 per centum or more of its gross income for such period or such part thereof was derived from the active conduct of a trade or business."

SEC. 142. Nonrecognition of Loss and Determination of Basis in Case of Certain Railroad Reorganizations

(a) Nonrecognition of Loss in Railroad Reorganizations—Section 112 (b) (relating to the recognition of gain or loss upon the sale or exchange of property) is amended by inserting at the end thereof the following new paragraph:

"(9) Loss not Recognized on Certain Railroad Reorganizations—No loss shall be recognized if property of a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended, is transferred, after December 31, 1939, in pursuance of an order of the court having jurisdiction of such corporation—

"(A) in a receivership proceeding, or

"(B) in a proceeding under section 77 of the National Bankruptcy Act, as amended,

to a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended, organized or made use of to effectuate a plan of reorganization approved by the court in such proceeding. The term 'reorganization', as used in this paragraph, shall not be limited by the definition of such term in subsection (g)."

(b) Basis of Property Acquired by Certain Railroad Corporations—Section 113 (a) (relating to the basis of the property) is amended by inserting at the end thereof the following new paragraph:

"(20) Property Acquired by Railroad Corporation—If the property of a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended, was acquired after December 31, 1939, in pursuance of an order of the court having jurisdiction of such corporation—

"(A) in a receivership proceeding, or

"(B) in a proceeding under section 77 of the National Bankruptcy Act, as amended,

and the acquiring corporation is a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended, organized or made use of to effectuate a plan or reorganization approved by the court in such proceeding, the basis shall be the same as it would be in the hands of the railroad corporation whose property was so acquired. The term 'reorganization', as used in this paragraph, shall not be limited by the definition of such term in section 112 (g)."

(c) Basis of Property Acquired Pursuant to Railroad Reorganization Under Section 77B of the National Bankruptcy Act, as Amended—Section 113 (a) (relating to the basis of the property) is amended by inserting at the end thereof the following new paragraph:

"(21) Property Acquired by Street, Suburban, or Interurban Electric Railway Corporation—If the property of any street, suburban, or interurban electric railway corporation engaged as a common carrier in the transportation of persons or property in interstate commerce was acquired after December 31, 1934, in pursuance of an order of the court having jurisdiction of such corporation in a proceeding under section 77B of the National Bankruptcy Act, as amended, and the acquiring corporation is a street, suburban, or interurban electric railway engaged as a common carrier in the transportation of persons or property in interstate commerce, organized or made use of to effectuate a plan of reorganization approved by the court in such proceeding, then, notwithstanding the provisions of section 270 of Chapter X of the National Bankruptcy Act, as amended, the basis, for any taxable year beginning after December 31, 1939, shall be the same as it would be in the hands of the corporation whose property was so acquired. The term 'reorganization,' as used in this paragraph, shall not be limited by the definition of such term in section 112 (g)."

(d) Taxable Years to Which Applicable—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1939.

SEC. 143. Basis of Gifts

(a) Gifts After December 31, 1920—The first sentence of section 113 (a) (2) is amended to read as follows: "If the property was acquired by gift after December 31, 1920, the basis shall be the same as it would be in the hands of the donor or the last preceding owner by whom it was not acquired by gift, except that if such basis (adjusted for the period prior to the date of the gift as provided in subsection (b) is greater than the fair market value of the property at the time of the gift, then for the purpose of determining loss the basis shall be such fair market value."

(b) Transfers in Trust After December 31, 1920—Section 113 (a) (3) is amended to read as follows:

"(3) Transfer in Trust After December 31, 1920—If the property was acquired after December 31, 1920, by a transfer in trust (other than by a transfer in trust by a gift, bequest, or devise) the basis shall be the same as it would be in the hands of the grantor, increased in the amount of gain or decreased in the amount of loss recognized to the grantor upon such transfer under the law applicable to the year in which the transfer was made."

SEC. 144. Basis of Property in Case of Optional Value for Estate Tax Purposes

(a) Basis of Property—Section 113 (a) (5) (relating to basis of property transmitted at death) is amended by adding at the end thereof the following new sentence: "In the case of an election made by the executor under section 811 (j), the time of acquisition of the property shall, for the purpose of this paragraph, be the applicable valuation date of the property prescribed by such section in determining the value of the gross estate."

(b) Property to Which Amendment Applicable—The amendment made by this section shall be applicable only with respect to property includible in the gross estate of a decedent dying after the date of the enactment of this Act.

SEC. 145. Percentage Depletion for Coal, Fluorspar, Ball and Sagger Clay, Rock Asphalt, and Metal Mines and Sulphur

(a) Percentage Depletion — Section 114 (b) (4) is amended to read as follows:

"(4) Percentage depletion for coal, fluorspar, ball and stagger clay, rock asphalt, and metal mines and sulphur—The allowance for depletion under section 23 (m) shall be, in the case of coal mines, 5 per centum, in the case of metal mines, fluorspar, ball and sagger clay or rock asphalt mines, 15 per centum, and, in the case of sulphur mines or deposits, 23 per centum, of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect of the property. Such allowance shall not exceed 50 per centum of the net income of the taxpayer (computed without allowance for depletion) from the property, except that in no case shall the depletion allowance under section 23 (m) be less than it would be if computed without reference to this paragraph."

(b) Discovery Depletion Not Applicable to Fluorspar, Ball and Sagger Clay or Brick Asphalt Mines—Section 114 (b) (2) is amended by striking out "metal, coal, or sulphur mines" and inserting in lieu thereof "metal, coal, fluorspar, ball and sagger clay, rock asphalt, or sulphur mines".

SEC. 146. Effect on Earnings and Profits of Wash Sale Losses

(a) Wash Sale Losses Not Recognized—Section 115 (1) (relating to earnings and profits of corporations) is amended by inserting after the third sentence thereof the following new sentence: "For the purposes of this subsection, a loss with respect to which a deduction is disallowed under section 118, or a corresponding provision of a prior income-tax law, shall not be deemed to be recognized."

(b) Effective Date of Amendment—The amendment made by this section shall be effective as if it were made by section 501 of the Second Revenue Act of 1940.

SEC. 147. Distributions in Liquidation

Section 115 (c) is amended to read as follows:

"(c) Distributions in Liquidation—Amounts distributed in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock, and amounts distributed in partial liquidation of a corporation shall be treated as in part or full payment in exchange for the stock. The gain or loss to the distributee resulting from such exchange shall be determined under section 111, but shall be recognized only to the extent provided in section 112. In the case of amounts distributed (whether before January 1, 1939, or on or after such date) in partial liquidation (other than a distribution to which the provisions of subsection (h) of this section are applicable) the part of such distribution which is properly chargeable to capital account shall not be considered a distribution of earnings or profits. If any distribution in partial liquidation or in complete liquidation (including any one of a series of distributions made by the corporation in complete cancellation or redemption of all its stock) is made by a foreign corporation which with respect to any taxable year beginning on or before, and ending after, August 26, 1937, was a foreign personal holding company, and with respect to which a United States group (as defined in section 331 (a) (2)) existed after August 26, 1937, and before January 1. 1938, then, despite the foregoing provisions of this subsection, the gain recognized resulting from such distribution shall be considered as a gain from the sale or exchange of a capital asset held for not more than 6 months."

SEC. 148. Income from Sources Without United States In Certain Cases

(a) Exclusion of Earned Income from Foreign Sources—Section 116 (a) (relating to earned income from sources without the United States) is amended to read as follows:

"(a) Earned Income From Sources Without the United States—

"(1) Foreign resident for entire taxable year—In the case of an individual citizen of the United States, who establishes to the satisfaction of the Commissioner that he is a bona fide resident of a foreign country or countries during the entire taxable year, amounts received from sources without the United States (except amounts paid by the United States or any agency thereof) if such amounts would constitute earned income as defined in section 25 (a) if received from sources within the United States; but such individuals shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this subsection.

"(2) Taxable year of change of residence to United States—In the case of an individual citizen of the United States, who has been a bona fide resident of a foreign country or countries for a period of at least two years before the date on which he changes his residence from such country to the United States, amounts received from sources without the United States (except amounts paid by the United States or any agency thereof), which are attributable to that part of such period of foreign residence before such date, if such amounts would constitute earned income as defined in section 25 (a) if received from sources within the United States; but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargable against amounts excluded from gross income under this subsection."

(b) Taxable Years to Which Amendment Applicable—The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1942, and so much of the amendment made by subsection (a) as inserts paragraph (2) in section 116 (a) shall also be applicable to taxable years beginning in 1942.

SEC. 149. Reciprocal Exemption of Compensation of Employees of the Commonwealth of the Philippines

(a) Section 116 (h) (relating to reciprocal exemption of official compensation) is amended to read as follows:

"(h) Compensation of Employees of Foreign Governments or of the Commonwealth of the Philippines—

"(1) Rule for exclusion—Wages, fees, or salary of an employee of a foreign government or of the Commonwealth of the Philippines (including a consular or other officer, or a nondiplomatic representative) received as compensation for official services to such government or such Commonwealth—

"(A) If such employee is not a citizen of the United States, or is a citizen of the Commonwealth of the Philippines (whether or not a citizen of the United States); and

"(B) If the services are of a character similar to those performed by employees of the Government of the United States in foreign countries or in the Commonwealth of the Philippines, as the case may be; and

"(C) If the foreign government, or the Commonwealth of the Philippines, whose employee is claiming exemption grants an equivalent exemption to employees of the Government of the United States performing similar services in such foreign country or such Commonwealth, as the case may be.

"(2) Certificate by Secretary of State—The Secretary of State shall certify to the Secretary of the Treasury the names of the foreign countries which grant an equivalent exemption to the employees of the Government of the United States performing services in such foriegn countries, and the character of the services performed by employees of the Government of the United States in foreign countries. If the Commonwealth of the Philippines grants an equivalent exemption to the employees of the United States performing services in such Commonwealth the Secretary of State shall certify such fact to the Secretary of the Treasury and the character of the services performed by employees of the Government of the United States in such Commonwealth."

(b) The amendment made by this section shall be applicable only to taxable years beginning after December 31, 1939.

SEC. 150. Capital Gains and Losses

(a) Definitions —

(1) Holding period, short- and long-term gains and losses—Section 117 (a) is amended by striking out "18 months" wherever occuring therein and inserting in lieu thereof "6 months".

(2) Net short-term gain—Section 117 (a) (6) is amended to read as follows:

"(6) Net short-term capital gain—The term 'net short-term capital gain' means the excess of short-term capital gains for the taxable year over the short-term capital losses for such year;".

(b) Definitions of "Net Capital Gain" and "Net Capital Loss"—Section 117 (a) is amended by inserting at the end thereof the following new paragraphs:

"(10) Net capital gain—

"(A) Corporations—In the case of a corporation, the term 'net capital gain' means the excess of the gains from sales or exchanges of capital assets over the losses from such sales or exchanges; and

"(B) Other Taxpayers—In the case of a taxpayer other than a corporation, the term 'net capital gain' means the excess of (i) the sum of the gains from sales or exchanges of capital assets, plus net income of the taxpayer or $1,000, whichever is smaller, over (ii) the losses from such sales or exchanges. For purposes of this subparagraph, net income shall be computed without regard to gains or losses from sales or exchanges of capital assets.

"(11) Net capital loss—The term 'net capital loss' means the excess of the losses from sales or exchanges of capital assets over the sum allowed under subsection (d). For the purpose of determining losses under this paragraph, amounts which are short-term capital losses under subsection (e) (1) shall be excluded."

(c) Rule on Taxability, Limitation on Losses, and Carry-Over—Section 117 (b), (c), (d), and (e) are amended to read as follows:

"(b) Percentage Taken Into Account—In the case of a taxpayer, other than a corporation, only the following percentages of the gain or loss recognized upon the sale or exchange of a capital asset shall be taken into account in computing net capital gain, net capital loss, and net income:

"100 per centum if the capital asset has been held for not more than 6 months;

"50 per centum if the capital asset has been held for more than 6 months.

"(c) Alternative Taxes—

"(1) Corporations—If for any taxable year the net long-term capital gain of any corporation exceeds the net short-term capital loss, there shall be levied, collected, and paid, in lieu of the tax imposed by sections 13, 14, 15, 204, 207 (a) (1) or (3), and 500, a tax determined as follows, if and only if such tax is less than the tax imposed by such sections:

"A partial tax shall first be computed upon the net income reduced by the amount of such excess, at the rates and in the manner as if this subsection had not been enacted, and the total tax shall be the partial tax plus 25 per centum of such excess.

"(2) Other taxpayers—If for any taxable year the net long-term capital gain of any taxpayer (other than a corporation) exceeds the net short-term capital loss, there shall be levied, collected, and paid, in lieu of the tax imposed by sections 11 and 12, a tax determined as follows, if and only if such tax is less than the tax imposed by such sections:

"A partial tax shall first be computed upon the net income reduced by the amount of such excess, at the rates and in the manner as if this subsection had not been enacted, and the total tax shall be the partial tax plus 50 per centum of such excess.

"(d) Limitation on Capital Losses—

"(1) Corporations—In the case of a corporation, losses from sales or exchanges of capital assets shall be allowed only to the extent of gains from such sales or exchanges.

"(2) Other taxpayers—In the case of a taxpayer, other than a corporation, losses from sales or exchanges of capital assets shall be allowed only to the extent of the gains from such sales or exchanges, plus the net income of the taxpayer of $1,000, whichever is smaller. For purposes of this paragraph, net income shall be computed without regard to gains or losses from sales or exchanges of capital assets.

"(e) Capital Loss Carry-Over—

"(1) Method of computation—If for any taxable year beginning after December 31, 1941, the taxpayer has a net capital loss, the amount thereof shall be a short-term capital loss in each of the five succeeding taxable years to the extent that such amount exceeds the total of any net capital gains of any taxable years intervening between the taxable year in which the net capital loss arose and such succeeding taxable year. For purposes of this paragraph a net capital gain shall be computed without regard to such net capital loss or to any net capital losses arising in any such intervening taxable years.

"(2) Rule for application of capital loss carry-over from 1941—The amount of the net short-term capital loss of the last taxable year beginning in 1941 (computed without regard to amounts treated as short-term capital losses from the preceding taxable year), which is not in excess of the net income for such taxable year, shall, to the extent of the net short-term capital gain for the succeeding taxable year (computed without regard to this paragraph), be a short-term capital loss of such succeeding taxable year.

(d) Bonds, Etc., Losses of Banks — Section 117 is amended by inserting at the end thereof the following new subsection:

"(i) Bond, Etc., Losses of Banks—For the purposes of this chapter, in the case of a bank, as defined in section 104, if the losses of the taxable year from sales or exchanges of bonds, debentures, notes, or certificates, or other evidence of indebtedness issued by any corporation (including one issued by a government or political subdivision thereof) with interest coupons or in registered form exceed the gains of the taxable year from such sales or exchanges, no such sale or exchange shall be considered a sale or exchange of a capital asset."

(e) Net Operating Loss Deduction — Section 122 (d) (4) is amended to read as follows:

"(4) Gains and losses from sales or exchanges of capital assets shall be taken into account without regard to the provisions of section 117 (b). As so computed the amount deductible on account of such losses shall not exceed the amount includible on account of such gains."

(f) Capital Gains and Losses of Common Trust Funds—

(1) Income of participants in fund—

(A) Section 169 (c) (1) (A) is amended to read as follows:

"(A) As part of its gains and losses from sales or exchanges of capital assets held for not more than 6 months, its proportionate share of the gains and losses of the common trust fund from sales or exchanges of capital assets held for not more than 6 months."

(B) Section 169 (c) (1) (B) is amended to read as follows:

"(B) As part of its gains and losses from sales or exchanges of capital assets held for more than 6 months, its proportionate share of the gains and losses of the common trust fund from sales or exchanges of capital assets held for more than 6 months."

(2) Computation of common trust fund income—Section 169 (d) (1) and (2) are amended to read as follows:

"(d) Computation of Common Trust Fund Income—The net income of the common trust fund shall be computed in the same manner and on the same basis as in the case of an individual, except that—

"(1) There shall be segregated the gains and losses from sales or exchanges of capital assets;

"(2) After excluding all items of gain and loss from sales or exchanges of capital assets, there shall be computed—

"(A) An ordinary net income which shall consist of the excess of the gross income over deductions; or

"(B) An ordinary net loss which shall consist of the excess of the deductions over the gross income;"

(g) Capital Gains and Losses of Partners —

(1) Tax of partners —

(A) Section 182 (a) is amended to read as follows:

"(a) As part of his gains and losses from sales or exchanges of capital assets held for not more than 6 months, his distributive share of the gains and losses of the partnership from sales or exchanges of capital assets held for not more than 6 months."

(B) Section 182 (b) is amended to read as follows:

"(b) As part of his gains and losses from sales or exchanges of capital assets held for more than 6 months, his distributive share of the gains and losses of the partnership from sales or exchanges of capital assets held for more than 6 months."

(2) Computation of partnership income—

(A) Section 183 (b) (1) and (2) are amended to read as follows:

"(b) Segregation of Items—

"(1) Capital gains and losses—There shall be segregated the gains and losses from sales or exchanges of capital assets.

"(2) Ordinary net income or loss—After excluding all items of gain and loss from sales or exchanges of capital assets, there shall be computed—

"(A) An ordinary net income which shall consist of the excess of the gross income over the deductions; or

(B) An ordinary net loss which shall consist of the excess of the deductions over the gross income."

(h) Capital Losses of Foreign Personal Holding Companies—Section 336 (c) is amended to read as follows:

"(c) 1941 Capital Loss Carry-Over Denied—The net income shall be computed without regard to section 117 (e) (2)."

(i) Capital Losses of Personal Holding Companies—Section 505 (d) is amended to read as follows:

"(d) 1941 Capital Loss Carry-Over Denied—The net income shall be computed without regard to section 117 (e) (2)."

(j) Cross Reference—Section 12 (c) is amended to read as follows:

"(c) Tax in Case of Capital Gains or Losses—For rate and computation of alternative tax in lieu of normal tax and surtax in the case of a capital gain or loss from the sale or exchange of capital assets held for more than 6 months, see section 117 (c)."

SEC. 151. Real Property; Involuntary Conversions; Etc.

(a) Real Property Not Treated as Capital Asset—Section 117 (a) (1) (relating to the definition of "capital assets") is amended by inserting immediately before the semicolon at the end thereof a comma and the following: "or real property used in the trade or business of the taxpayer".

(b) Gains and Losses From Involuntary Conversion and From the Sale or Exchange of Certain Property Used in the Trade or Business—Section 117 (relating to capital gains and losses) is amended by inserting at the end thereof the following new subsection:

"(j) Gains and Losses From Involuntary Conversion and From the Sale or Exchange of Certain Property Used in the Trade or Business—

"(1) Definition of property used in the trade or business—For the purposes of this subsection, the term 'property used in the trade or business' means property used in the trade or business, of a character which is subject to the allowance for depreciation provided in section 23 (l), held for more than 6 months, and real property used in the trade or business, held for more than 6 months, which is not (A) property of a kind which would properly be includible in the inventory of the taxpayer if on hand at the close of the taxable year, or (B) property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business.

"(2) General rule—If, during the taxable year, the recognized gains upon sales or exchanges of property used in the trade or business, plus the recognized gains from the compulsory or involuntary conversion (as a result of destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation or the threat or imminence thereof) of property used in the trade or business and capital assets held for more than 6 months into other property or money, exceed the recognized losses from such sales, exchanges, and conversions, such gains and losses shall be considered as gains and losses from sales or exchanges of capital assets held for more than 6 months. If such gains do not exceed such losses, such gains and losses shall not be considered as gains and losses from sales or exchanges of capital assets. For the purposes of this paragraph:

"(A) In determining under this paragraph whether gains exceed losses, the gains and losses described therein shall be included only if and to the extent taken into account in computing net income, except that subsections (b) and (d) shall not apply.

"(B) Losses upon the destruction, in whole or in part, theft or seizure, or requisition or condemnation of property used in the trade or business or capital assets held for more than 6 months shall be considered losses from a compulsory or involuntary conversion."

(c) Holding Period of Property Acquired in Exchange for Property Involuntarily Converted—

(1) In general—Section 117 (h) (1) is amended by inserting after the period at the end thereof the following new sentence: "For the purposes of this paragraph, an involuntary conversion described in section 112 (f) shall be considered an exchange of the property converted for the property acquired."

(2) Taxable years to which applicable — The amendment made by paragraph (1) shall be applicable with respect to taxable years beginning after December 31, 1938.

(d) Recognition of Loss on Involuntary Conversions—Section 112 (f) (relating to the nonrecognition of gain and loss on involuntary conversions) is amended by striking out "no gain or loss shall be recognized" and inserting in lieu thereof "no gain shall be recognized, but loss shall be recognized".

(e) Partial Failure to Replace Property—The last sentence of section 112 (f) is amended to read as follows: "If any part of the money is not so expended, the gain, if any, shall be recognized to the extent of the money which is not so expended (regardless of whether such money is received in one or more taxable years and regardless of whether or not the money which is not so expended constitutes gain)."

SEC. 152. Holding Period of Stock Acquired Through Exercise of Rights

Section 117 (h) (relating to the holding period of capital assets) is amended by inserting at the end thereof the following new paragraph:

"(6) In determining the period for which the taxpayer has held stock or securities acquired from a corporation by the exercise of rights to acquire such stock or securities, there shall be included only the period beginning with the date upon which the right to acquire was exercised."

SEC. 153. Two-Year Carry-Back of Net Operating Losses

(a) Determination of Carry-Back — Section 122 (b) (relating to the amount of the net operating loss carry-over), is amended to read as follows:

"(b) Amount of Carry-Back and Carry-Over—

"(1) Net operating loss carry-back—If for any taxable year beginning after December 31, 1941, the taxpayer has a net operating loss, such net operating loss shall be a net operating loss carry-back for each of the two preceding taxable years, except that the carry-back in the case of the first preceding taxable year shall be the excess, if any, of the amount of such net operating loss over the net income for the second preceding taxable year computed (A) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and (B) by determining the net operating loss deduction for such second preceding taxable year without regard to such net operating loss.

"(2) Net operating loss carry-over — If for any taxable year the taxpayer has a net operating loss, such net operating loss shall be a net operating loss carry-over for each of the two succeeding taxable years, except that the carry-over in the case of the second succeeding taxable year shall be the excess, if any, of the amount of such net operating loss over the net income for the intervening taxable year computed (A) with the exceptionss, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and (B) by determining the net operating loss deduction for such intervening taxable year without regard to such net operating loss and without regard to any net operating loss carry-back. For the purposes of the preceding sentence, the net operating loss for any taxable year beginning after December 31, 1941 shall be reduced by the sum of the net income for each of the two preceding taxable years (computed for each such preceding taxable year with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and computed by determining the net operating loss deduction without regard to such net operating loss or to the net operating loss for the succeeding taxable year)."

(b) Amount of Net Operating Loss Deduction—Section 122 (c), relating to the amount of the net operating loss deduction, is amended by inserting in lieu of "amount of the net operating loss carry-over" the following: "aggregate of the net operating loss carry-overs and of the net operating loss carry-backs to the taxable year."

(c) Section 122 (e) is amended to read as follows:

"(e) No Carry-Back to Year Prior to 1941—As used in this section, the term 'preceding taxable year' and the term 'preceding taxable years' do not include any taxable year beginning prior to January 1, 1941."

(d) Limitation on Interest on Overpayment Caused by a Carry-Back of Loss or Credit—Section 3771 (relating to interest on overpayments) is amended by inserting at the end thereof the following:

"(e) Claims Based on Carry-Back of Loss or Credit—If the Commissioner determines that any part of an overpayment is attributable to the inclusion in computing the net operating loss deduction for the taxable year of any part of the net operating loss for a succeeding taxable year or to the inclusion in computing the unused excess profits credit adjustment for the taxable year of any part of the unused excess profits credit for a succeeding taxable year, no interest shall be allowed or paid with respect to such part of the overpayment for any period before the filing of a claim for credit or refund of such part of the overpayment or the filing of a petition with the Board whichever is earlier."

(e) Effective Date—The amendments made by this section shall be applicable only to taxable years beginning after December 31, 1940.

SEC. 154. Commodity Credit Loans

(a) Taxable Years Subject to Code—Section 123 is amended by inserting at the end thereof the following:

"(c) The election provided for in subsection (a) with respect to taxable years beginning after December 31, 1938, and before January 1, 1942, may be exercised by the taxpayer at, or at any time prior to, the time prescribed for the filing of the taxpayer's return for the taxable year of the taxpayer beginning in 1942, or if there is more than one taxable year of the taxpayer beginning in 1942, for the last taxable year so beginning, provided the records of the taxpayer are sufficient to permit an accurate computation of income for such years, and the taxpayer consents in writing to the assessment, within such period as may be agreed upon, of any deficiency for such years, even though the statutory period for the assessment of any such deficiency had expired prior to the filing of such consent."

(b) Taxable Years Subject to Prior Laws—Section 223 (d) of the Revenue Act of 1939 is amended by striking out "within one year from the date of the enactment of this Act" and inserting in lieu thereof "at or prior to the time prescribed for the filing of the taxpayer's return for the taxable year of the taxpayer beginning in 1942, or if there is more than one taxable year of the taxpayer beginning in 1942, for the last taxable year so beginning".

SEC. 155. Extension of Deduction for Amortization of Emergency Facilities

(a) General Rule—The first sentence of section 124 (a) is amended to read as follows: "Every person, at his election, shall be entitled to a deduction with respect to the amortization of the adjusted basis (for determining gain) of any emergency facility (as defined in subsection (e)), based on a period of sixty months."

(b) Election of Amortization — Section 124 (b) is amended by adding at the end thereof the following new sentence: "In the case of an emergency facility completed or acquired (1) after December 31, 1939, and before June 11, 1940, by a corporation, or (2) after December 31, 1939, and before January 1, 1942, by a person other than a corporation, the taxpayer's election to take the amortization deduction and to begin such period with either the month following the month in which the facility was completed or acquired or with the succeeding taxable year shall be made only by a statement in writing to that effect to the Commissioner and shall be made before the expiration of six months after the date of enactment of the Revenue Act of 1942."

(c) Termination of Amortization Period—

(1) Section 124 (d) (3) is amended to read as follows:

"(3) In the case of a taxpayer which has not elected, in the manner prescribed in subsection (b), to take an amortization deduction with respect to an emergency facility, if the date of the proclamation or the date specified in the certificate, referred to in paragraph (1) of this subsection, whichever is earlier, is before the expiration of sixty months from the last day of the month in which such emergency facility was completed or acquired, then the taxpayer may elect (in accordance with paragraph (4) of this subsection) the amortization deduction provided in subsection (a), using an amortization period beginning with the month following the month in which the emergency facility was completed or acquired and ending as of the end of the month within which such proclamation was issued or within which occured the date specified in such certificate, whichever is the earlier."

(2) Section 124 (d) is amended by inserting at the end thereof the following new paragraph:

"(6) In the case of a taxpayer which has not elected, in the manner prescribed in subsection (b), to take an amortization deduction with respect to an emergency facility, if the date of the proclamation referred to in paragraph (1) of this subsection or the date specified in the certificate referred to in paragraph (1) of this subsection is before the completion of such emergency facility, then the taxpayer may elect (in accordance with paragraph (4) of this subsection) the amortization deduction provided in subsection (a), using an amortization period beginning with the month in which the construction, reconstruction, erection, or installation of the emergency facility was begun and ending as of the end of the month within which such proclamation was issued or within which occured the date specified in the certificate referred to in paragraph (1) of this subsection, whichever is the earlier."

(d) Definitions—Section 124 (e) is amended to read as follows:

"(e) Definitions—

"(1) Emergency facility—As used in this section, the term 'emergency facility' means any facility, land, building, machinery, or equipment, or part thereof, the construction, reconstruction, erection, installation, or acquisition of which was completed after December 31, 1939, and with respect to which a certificate under subsection (f) has been made. For the purposes of this section, the part of any facility which was constructed, reconstructed, erected, or installed by any person after December 31, 1939, and not earlier than six months prior to the filing of an application for a certificate under subsection (f), and with respect to which part a certificate under subsection (f) has been made, shall be deemed to be an emergency facility, notwithstanding that the other part of such facility was constructed, reconstructed, erected, or installed earlier than six months prior to the filing of such application. For the purposes of this section, the part of any facility which was constructed, reconstructed, erected, or installed by a corporation after December 31, 1939, and before June 11, 1940, and with respect to which part a certificate under subsection (f) has been made, shall be deemed to be an emergency facility and to have been completed on June 10, 1940, notwithstanding that the entire facility was not completed until after June 10, 1940.

"(2) Emergency period—As used in this section, the term 'emergency period' means the period beginning January 1, 1940, and ending on the date on which the President proclaims that the utilization of a substantial portion of the emergency facilities with respect to which certifications under subsection (f) have been made is no longer required in the interest of national defense."

(e) Determination of Adjusted Basis of Emergency Facility—

(1) Section 124 (f) (1) is amended to read as follows:

"(1) There shall be included only so much of the amount otherwise constituting such adjusted basis as is properly attributable to such construction, reconstruction, erection, installation, or acquisition after December 31, 1939, as either the Secretary of War or the Secretary of the Navy has certified as necessary in the interest of national defense during the emergency period, which certification shall be under such regulations as may be prescribed from time to time by the Secretary of War and the Secretary of the Navy, with the approval of the President."

(2) Section 124 (f) (3) is amended to read as follows:

"(3) The certificate provided for in paragraph (1) shall have no effect unless an application therefor is filed before the expiration of six months after the beginning of such construction, reconstruction, erection, or installation or the date of such acquisition, or before December 1, 1941, whichever is later, except that—

"(A) in the case of an emergency facility completed or acquired by a corporation after December 31, 1939, and before June 11, 1940, such certificate shall have no effect unless an application therefor is filed before the expiration of six months after the date of the enactment of the Revenue Act of 1942, and

"(B) in the case of an emergency facility completed or acquired after December 31, 1939, by a person other than a corporation, such certificate shall have no effect unless an application therefor is filed before the expiration of six months after the beginning of such construction, reconstruction, erection, or installation or the date of such acquisition, or before the expiration of six months after the date of the enactment of the Revenue Act of 1942, whichever is later.

In no event and notwithstanding any of the other provisions of this section, no amortization deduction shall be allowed in respect of any emergency facility for any taxable year—

"(C) unless a certificate in respect thereof under paragraph (1) shall have been made (i) prior to the filing of the taxpayer's return for such taxable year, or prior to the making of an election pursuant to subsection (d) (3) or subsection (d) (6) of this section to take the amortization deduction, or (ii) before December 1, 1941, whichever is later; or

"(D) In the case of an emergency facility completed or acquired by a corporation after December 31, 1939, and before June 11, 1940, unless a certificate in respect thereof under paragraph (1) shall have been made prior to the expiration of twelve months after the date of enactment of the Revenue Act of 1942; or

"(E) in the case of an emergency facility completed or acquired after December 31, 1939, and before January 1, 1943, by a person other than a corporation, unless a certificate in respect thereof under paragraph (1) shall have been made (i) prior to the expiration of nine months after the last date upon which an application for such certificate may be filed, or (ii) prior to the expiration of twelve months after the date of enactment of the Revenue Act of 1942, whichever is later."

(f) Life Tenant and Remainderman—Section 124 is amended by inserting at the end thereof the following new subsection:

"(i) Life Tenant and Remainderman—In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowable to the life tenant."

(g) Allowance to Estate or Trust—Supplement E (relating to estates and trusts) of Chapter 1 is amended by inserting at the end thereof the following new section:

"SEC. 172. Allowance of Amortization Deduction

"The benefit of the deduction for amortization of emergency facilities allowed by section 23 (t) shall be allowed to estates and trusts in the same manner and to the same extent as in the case of an individual. The allowable deduction shall be apportioned between the income beneficiaries and the fiduciary under regulations prescribed by the Commissioner with the approval of the Secretary."

(h) Partnersnips—Supplement F (relating to partnerships) of Chapter 1 is amended by inserting at the end thereof the following new section:

"SEC. 190. Allowance of Amortization Deduction

"In the case of emergency facilities of a partnership, the benefit of the deduction for amortization allowed by section 23 (t) shall not be allowed to the members of a partnership but shall be allowed to the partnership in the same manner and to the same extent as in the case of an individual."

(i) Retroactive Application of Extension—The amendments made by this section shall be effective as of October 8, 1940.

(j) Overpayments—Where a tax paid under Chapter 1, Chapter 2B, or Chapter 2E of the Internal Revenue Code is in excess of the tax which would have been paid had section 124 of the Internal Revenue Code, as previously amended, been enacted on October 8, 1940, to read as amended by this section, then credit or refund of such excess may be made without interest, in accordance with the provisions of law applicable in the case of erroneous or illegal assessment or collection or overpayment of the tax.

SEC. 156. War Losses

(a) Losses From War, Taxation of Property Recovered, and Basis of Property—The Internal Revenue Code is amended by inserting after section 126 the following new section:

"SEC. 127. War Losses

"(a) Cases in Which Loss Deemed Sustained, and Time Deemed Sustained—For the purposes of this chapter—

"(1) Property not in enemy countries—Property destroyed or seized on or after December 7, 1941, in the course of military or naval operations by the United States or any other country engaged in the present war shall be deemed to have been destroyed or seized on a date chosen by the taxpayer in the manner provided in paragraph (4), which falls between—

"(A) the latest date, as established to the satisfaction of the Commissioner, on which such property may be considered as not destroyed or seized, and

"(B) the earliest date, as established to the satisfaction of the Commissioner, on which such property may be considered as having already been destroyed or seized.

For the purposes of this paragraph property within an area which comes under the control of a country at war with the United States after the date war with such country is declared by the United States shall be deemed to have been destroyed or seized in the course of military or naval operations by such country, and the date specified in subparagraph (A) shall not be later than the latest date determined by the Commissioner as the date on which such area was under the control of the United States or a country not at war with the United States, and the date specified in subparagraph (B) shall not be later than the earliest date determined by the Commissioner as the date on which such area may be considered under the control of the country which is at war with the United States.

"(2) Property in enemy countries—Property within any country at war with the United States, or within an area under the control of any such country on the date war with such country was declared by the United States, shall be deemed to have been destroyed or seized on the date war with such country was declared by the United States.

"(3) Investments referable to destroyed or seized property—Any interest in, or with respect to, property described in paragraph (1) or (2) (including any interest represented by a security as defined in section 23 (g) (3) or section 23 (k) (3)) which becomes worthless shall be considered to have been destroyed or seized (and the loss therefrom shall be considered a loss from the destruction or seizure) on the date chosen by the taxpayer which falls between the dates specified in paragraph (1), or on the date prescribed in paragraph (2), as the case may be, when the last property (described in the applicable paragraph) to which the interest relates would be deemed destroyed or seized under the applicable paragraph. This paragraph shall apply only if the interest would have become worthless if the property had been destroyed. For the purposes of this paragraph, an interest shall be deemed to have become worthless notwithstanding the fact that such interest has a value if such value is attributable solely to the possibility of recovery of the property, compensation (other than insurance or similar indemnity) on account of its destruction or seizure, or both. Section 23 (g) (2) and (k) (2) shall not apply to any interest which under this paragraph is considered to have been destroyed or seized. Under regulations prescribed by the Commissioner with the approval of the Secretary, a taxpayer which owns 100 per centum (excluding qualifying shares) of each class of stock of a corporation may elect to determine the worthlessness of its interest, described in this paragraph, in or with respect to the property of the corporation, without regard to the amount of the property of such corporation which would be excluded under subsection (e) (2) (A) in determining the adjusted basis of all the assets of the corporation for the purposes of subsection (e), but such amount shall be treated under subsection (b) (1) as a recovery by the taxpayer in the taxable year with respect to such interest.

"(4) Choice of date—The taxpayer's choice of a date under paragraph (1) or (3) shall be effective only if made within such time and in such manner as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary.

"(b) Amount of Loss on Destroyed or Seized Property—In the case of any property or interest in or with respect to property deemed to be destroyed or seized under subsection (a)—

"(1) The amount of the loss on account of such property or interest shall be determined with regard to any recoveries with respect thereto in the taxable year but without regard to any possibility of recovering such property or interest, or of receiving any compensation (other than insurance or similar indemnity) on account of such property or interest in the taxable year or in any future taxable year.

"(2) The taxpayer may choose to decrease the amount of the loss by all obligations or liabilities of the taxpayer with respect to such property or interest discharged or satisfied out of the property or interest upon its destruction or seizure, if the Commissioner is satisfied that such obligations or liabilities are so discharged or satisfied in a subsequent taxable year, or that the taxpayer is unable to determine whether or not such obligations or liabilities are in fact discharged or satisfied.

No loss shall be deemed to have been sustained upon the destruction or seizure of such property or interest to the extent that it is compensated for by the discharge or satisfaction of obligations and liabilities of the taxpayer out of such property or interest in the taxable year in which such destruction or seizure is deemed to have occured. The taxpayer's choice under this subsection shall be effective only if made within such time and in such manner as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Recoveries Included in Gross Income—

"(1) General rule—Upon the recovery in the taxable year of any money or property in respect of property considered under subsection (a) as destroyed or seized in any prior taxable year, the amount of such recovery shall be included in gross income to the extent provided in paragraph (2).

"(2) Amount of gain includible—The amount of the recovery of any money or property in respect of property considered under subsection (a) as destroyed or seized shall be an amount equal to the aggregate of such money and the fair market value of such property, determined as of the date of the recovery. To the extent that such amount plus the aggregate of the amounts of previous such recoveries do not exceed that part of the aggregate of the allowable deductions in prior taxable years on account of the destruction or seizure of property described in subsection (a) which did not result in a reduction of any tax of the taxpayer under this chapter, such amount shall not be includible in gross income and shall not be deemed gain upon the involuntary conversion of property as a result of its destruction or seizure. To the extent that such amount plus the aggregate of the amounts of previous such recoveries exceed that part of the aggregate of such deductions which did not result in a reduction of any tax of the taxpayer under this chapter and do not exceed that part of the aggregate of such deductions which did result in a reduction of any tax of the taxpayer under this chapter, such amount shall be included in gross income but shall not be deemed a gain upon the involuntary conversion of property as a result of its destruction or seizure. To the extent that such amount plus the aggregate of the amounts of previous such recoveries exceed the aggregate of the allowable deductions in prior taxable years on account of the destruction or seizure of property described in subsection (a), such amount shall be considered a gain upon the involuntary conversion of property as a result of its destruction or seizure and shall be recognized or not recognized as provided in section 112 (f). If for any previous taxable year the taxpayer chooses under subsection (b) to treat any obligations and liabilities as discharged or satisfied out of the property or interest described in subsection (a), and if such obligations and liabilities were not so discharged or satisfied, the amount of such obligations and liabilities treated as discharged or satisfied under subsection (b) shall be considered for the purposes of this section as a deduction by reason of this section which did not result in a reduction of any tax of the taxpayer under this chapter. For the purposes of this paragraph an allowable deduction for any taxable year on account of the destruction or seizure of property described in subsection (a) shall, to the extent not allowed in computing the tax of the taxpayer for such taxable year, be considered an allowable deduction which did not result in a reduction of any tax of the taxpayer under this chapter.

"(3) Restoration of value of investments referable to destroyed or seized property—For the purposes of paragraphs (1) and (2), the restoration in whole or in part of the value of any interest described in subsection (a) (3) by reason of any recovery of money or property in respect of property to which such interest related and which was considered under subsection (a) (1) or (2) as destroyed or seized shall be deemed a recovery of property in respect of property considered under subsection (a) as destroyed or seized.

"(d) Basis of Recovered Property — The unadjusted basis of property recovered in respect of property considered destroyed or seized under subsection (a) shall be determined under this subsection. Such basis shall be an amount equal to the fair market value of such property, determined as of the date of the recovery, reduced by an amount equal to the excess of the aggregate of such fair market value and the amounts of previous recoveries of money or property in respect of property considered under subsection (a) as destroyed or seized over the aggregate of the allowable deductions in prior taxable years on account of the destruction or seizure of property described in subsection (a), and increased by that portion of the amount of the recovery which under subsection (c) is treated as a recognized gain from the involuntary conversion of property. Upon application of the taxpayer, the aggregate of the bases (determined under the preceding sentence) of any properties recovered in respect of properties considered under subsection (a) as destroyed or seized may be allocated among the properties so recovered in such manner as the Commissioner may determine under regulations prescribed by him with the approval of the Secretary, and the amounts so allocated to any such property so recovered shall be the unadjusted basis of such property in lieu of the unadjusted basis of such property determined under the preceding sentence.

"(e) Partial Worthlessness of Certain Investments in Destroyed or Seized Property.

"(1) Destruction or seizure of investment — If a taxpayer owns not less than 50 per centum of each class of stock of a corporation, if such corporation has property described in subsection (a) (1) or (2) deemed to be destroyed or seized, the adjusted basis for determining loss of which is at least 75 per centum of the adjusted basis for determining loss of all such corporation's property, and if such corporation completely liquidates (by distributing all the assets which it is able to distribute and all its rights to assets which it is not able to distribute, including the right to the recovery of the property described in subsection (a) (1) and (2)) within one year after such property is deemed to be destroyed or seized, or within six months after the date of the enactment of the Revenue Act of 1942, whichever is the later, then that part of the loss by the taxpayer on such liquidation which would be attributable to the destruction or seizure of such property, as established to the satisfaction of the Commissioner, shall be treated for the purposes of this chapter as a loss by the taxpayer upon the destruction or seizure of the part of the stock or other interest of the taxpayer to which such loss is allocable. Such part of the stock or other interest of the taxpayer shall be treated for the purposes of subsections (b), (c), and (d) as property described in subsection (a) (3).

"(2) Application of paragraph (1)—For the purposes of paragraph (1)—

"(A) In determining the adjusted basis of all the property of the corporation, there shall be excluded money in the United States, bank deposits, the right to receive money from any person not situated in a country at war with the United States or in a territory under the control of such a country, and obligations issued or guaranteed as to principal or interest by the United States, except that there shall not be excluded any such property which is destroyed or seized as described in subsection (a) within or before the taxable period.

"(B) The adjusted basis of property of such corporation shall be determined as of the date immediately preceding the first date on which any property was destroyed or seized, as described in subsection (a), or as of any later date falling within or before the taxable period on the basis of which such determination will produce a greater amount.

"(f) Determination of Tax Benefits—The determination as to whether and to what extent an allowable deduction on account of the destruction or seizure of property described in subsection (a) did or did not result in a reduction of any tax of the taxpayer under this chapter shall be made in accordance with regulations prescribed by the Commissioner with the approval of the Secretary."

(b) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1940.

SEC. 157. Recovery of Unconstitutional Federal Taxes

(a) In General—Chapter 1 of the Internal Revenue Code is amended by inserting after section 127 the following new section:

"SEC. 128. Recovery of Unconstitutional Federal Taxes

"Income (excluding interest) attributable to the recovery during the taxable year of a tax imposed by the United States which has been held unconstitutional, and in respect of which a deduction was allowed in a prior taxable year may be excluded from gross income for the taxable year, and the deduction allowed in respect thereof in such prior taxable year treated as not having been allowable, if—

"(a) The taxpayer elects in writing (at such time and in such manner as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary) to treat such deduction as not having been allowable for such prior taxable year, and

"(b) The taxpayer consents in writing to the assessment, within such period as may be agreed upon, of any deficiencies resulting from such treatment, even though the statutory period for the assessment of any such deficiency had expired prior to the filing of such consent."

(b) Taxable Years to Which Applicable—The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1940.

SEC. 158. Foreign Tax Credit

(a) Choice of Credit—Section 131 (a) (relating to allowance of credit for taxes of foreign countries and possessions of the United States) is amended to read as follows:

"(a) Allowance of Credit—If the taxpayer chooses to have the benefits of this section, the tax imposed by this chapter, except the tax imposed under section 102 or section 450, shall be credited with:

"(1) Citizens and domestic corporations—In the case of a citizen of the United States and of a domestic corporation, the amount of any income, war-profits, and excess-profits taxes paid or accrued during the taxable year to any foreign country or to any possession of the United States; and

"(2) Resident of United States—In the case of a a resident of the United States, the amount of any such taxes paid or accrued during the taxable year to any possession of the United States; and

"(3) Alien resident of United States—In the case of an alien resident of the United States, the amount of any such taxes paid or accrued during the taxable year to any foreign country, if the foreign country of which such alien resident is a citizen or subject, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country; and

"(4) Partnerships and estates—In the case of any such individual who is a member of a partnership or a beneficiary of an estate or trust, his proportionate share of such taxes of the partnership or the estate or trust paid or accrued during the taxable year to a foreign country or to any possession of the United States, as the case may be.

"Such choice may be made or changed at any time prior to the expiration of the period prescribed for making a claim for credit or refund of the tax imposed by this chapter."

(b) Deduction Denied if Credit Chosen—Section 23 (c) (1) (C) (relating to deduction from gross income for taxes) is amended to read as follows:

"(C) income, war-profits, and excess-profits taxes imposed by the authority of any foreign country or possession of the United States, if the taxpayer chooses to take to any extent the benefits of section 131."

(c) The amendments made by subsections (a) and (b) shall be applicable with respect to taxable years beginning after December 31, 1940.

(d) Limit on Credit in Case of Corporations—Section 131 (d) is amended to read as follows:

"(b) Limit on Credit—The amount of the credit taken under this section shall be subject to each of the following limitations:

"(1) The amount of the credit in respect of the tax paid or accrued to any country shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources within such country bears to his entire net income in the case of a taxpayer other than a corporation, or to the sum of the normal-tax net income and the amount of the credit for adjusted excess profits net income provided in section 26 (e), in the case of a corporation, for the same taxable year; and

"(2) The total amount of the credit shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources without the United States bears to his entire net income, in the case of a taxpayer other than a corporation, or to the sum of the normal-tax net income and the amount of the credit for adjusted excess profits net income provided in section 26 (e), in the case of a corporation, for the same taxable year."

(e) Credit on Account of Subsidiary of Foreign Subsidiary—Section 131 (f) (relating to credit for taxes of a foreign subsidiary) is amended to read as follows:

"(f) Taxes of Foreign Subsidiary—

"(1) Foreign subsidiary of domestic corporation—For the purposes of this section, a domestic corporation which owns a majority of the voting stock of a foreign corporation from which it receives dividends in any taxable year shall be deemed to have paid the same proportion of any income, war-profits, or excess-profits taxes paid or deemed to be paid by such foreign corporation to any foreign country or to any possession of the United States, upon or with respect to the accumulated profits of such foreign corporation from which such dividends were paid, which the amount of such dividends bears to the amount of such accumulated profits: *Provided*, That the amount of tax deemed to have been paid by such domestic corporation under this subsection shall in no case exceed the same proportion of the tax against which credit is taken which the amount of such dividends bears to the amount of the normal-tax net income of the domestic corporation in which such dividends are included. The term 'accumulated profits' when used in this subsection in reference to a foreign corporation, means the amount of its gains, profits, or income in excess of the income, war-profits, and excess-profits taxes imposed upon or with respect to such profits or income; and the Commissioner with the approval of the Secretary shall have full power to determine from the accumulated profits of what year or years such dividends were paid; treating dividends paid in the first sixty days of any year as having been paid from the accumulated profits of the preceding year or years (unless to his satisfaction shown otherwise), and in other respects treating dividends as having been paid from the most recently accumulated gains, profits, or earnings. In the case of a foreign corporation, the income, war-profits, and excess-profits taxes of which are determined on the basis of an accounting period of less than one year, the word 'year' as used in this subsection shall be construed to mean such accounting period.

"(2) Foreign Subsidiray of Foreign Corporation.—If such foreign corporation owns all the voting stock (except qualifying shares) of another foreign corporation from which it receives dividends in any taxable year it shall be deemed to have paid the same proportion of any income, war-profits, or excess-profits taxes paid by such other foreign corporation to any foreign country or to any possession of the United States, upon or with respect to the accumulated profits of the corporation from which such dividends were paid, which the amount of such dividends bears to the amount of such accumulated profits."

(f) Credit for Taxes in Lieu of Income, Etc., Taxes.—Section 131 (relating to credit for taxes of foreign countries and possessions of the United States) is amended by inserting at the end thereof the following new subsection:

(h) Credit for Taxes in Lieu of Income, Etc., Taxes.—For the purposes of this section and section 23 (c) (1), the term "income, war-profits, and excess-profits taxes' shall include a tax paid in lieu of a tax upon income, war-profits, or excess-profits otherwise generally imposed by any foreign country or by any possession of the United States."

SEC. 159. Extension of Consolidated Returns Privilege to Certain Corporations

(a) General Rule.—Section 141 (relating to consolidated returns of railroad corporations) is amended to read as follows:

"SEC. 141. Consolidated Returns

"(a) Privilege to File Consolidated Income and Excess-Profits-Tax Returns.—An affiliated group of corporations shall, subject to the provisions of this section, have the privilege of making consolidated income and excess-profits-tax returns for the taxable year in lieu of separate returns. The making of consolidated returns shall be upon the condition that the affiliated group shall make both a consolidated income-tax return and a consolidated excess-profits-tax return for the taxable year, and that all corporations which at any time during the taxable year have been members of the affiliated group making a consolidated income-tax return consent to all the consolidated income- and excess-profits-tax regulations prescribed under subsection (b) prior to the last day prescribed by law for the filing of return. The making of a consolidated income-tax return shall be considered as such consent. In the case of a corporation which is a member of the affiliated group for a fractional part of the year, the consolidated returns shall include the income of such corporation for such part of the year as it is a member of the affiliated group. In the case of a corporation which is not a member of the affiliated group after March 31, 1942, of the last taxable year of such group which begins before April 1, 1942, such corporation shall not be considered a member of the affiliated group for consolidated income-tax-return purposes for such year but shall be considered a member of such group for consolidated excess-profits-return purposes for such year, and the consent required in the case of such corporation shall relate only to to the consolidated excess-profits-tax regulations.

"(b) Regulations.—The Commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary in order that the tax liability of any affiliated group of corporations making consolidated income- and excess-profits-tax returns and of each corporation in the group, both during and after the period of affiliation, may be returned, determined, computed, assessed, collected, and adjusted, in such manner as clearly to reflect the income- and excess-profits-tax liability and the various factors necessary for the determination of such liability, and in order to prevent avoidance of such tax liability. Such regulations shall prescribe the amount of the net operating loss deduction of each member of the group which is attributable to a deduction allowed for a taxable year beginning in 1941 on account of property considered as destroyed or seized under section 127 (relating to war losses), and the allowance of the amount so prescribed as a deduction in computing the net income of the group shall not be limited by the amount of the net income of such member.

"(c) Computation and Payment of Tax.—In any case in which consolidated income-tax and excess-profits-tax returns are made or are required to be made, the taxes shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) prescribed prior to the last day prescribed by law for the filing of such returns; except that the tax imposed under section 15 or section 204 shall be increased by 2 per centum of the consolidated corporation surtax net income of the affiliated group of includible corporations. Only one specific exemption of $5,000 provided in section 710 (b) (1) shall be allowed for the entire affiliated group of corporations for the purposes of the tax imposed by Subchapter E of Chapter 2.

"(d) Definition of 'Affiliated Group'.—As used in this section, an 'affiliated group' means one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation if—

"(1) Stock possessing at least 95 per centum of the voting power of all classes of stock and at least 95 per centum of each class of the nonvoting stock of each of the includible corporations (except the common parent corporation) is owned directly by one or more of the other includible corporations; and

"(2) The common parent corporation owns directly stock possessing at least 95 per centum of the voting power of all classes of stock and at least 95 per centum of each class of the nonvoting stock of at least one of the other includible corporations.

As used in this subsection, the term 'stock' does not include nonvoting stock which is limited and preferred as to dividends.

"(e) Definition of 'Includible Corporation'.—As used in this section, the term "includible' corporation means any corporation except—

"(1) Corporations exempt under section 101 from the tax imposed by this chapter.

"(2) Insurance companies subject to taxation under section 201 or 207.

"(3) Foreign corporations.

"(4) Corporations entitled to the benefits of section 251, by reason of receiving a large percentage of their income from sources within possessions of the United States.

"(5) Corporations organized under the China Trade Act, 1922.

"(6) Regulated investment companies subject to tax under Supplement Q.

"(f) Includible Insurance Companies.—Despite the provisions of paragraph (2) of subsection (e), two or more domestic insurance companies each of which is subject to taxation under the same section of this chapter shall be considered as includible corporations for the purpose of the application of subsection (d) to such insurance companies alone.

"(g) Subsidiary Formed to Comply With Foreign Law.—In the case of a domestic corporation owning or controlling, directly or indirectly, 100 per centum of the capital stock (exclusive of directors' qualifying shares) of a corporation organized under the laws of a contiguous foreign country and maintained solely for the purpose of complying with the laws of such country as to title and operation of property, such foreign corporation may, at the option of the domestic corporation, be treated for the purpose of this chapter and of Sub-chapter E of Chapter 2 as a domestic corporation.

"(h) Suspension of Running of Statute of Limitations—If a notice under section 272 (a) in respect of a defiency for any taxable year is mailed to a corporation, the suspension of the running of the statute of limitations provided in section 277, shall apply in the case of corporations with which such corporation made a consolidated return for such taxable year.

"(i) Allocation of Income and Deductions.—For allocation of income and deductions of related trades or business, see section 45."

(b) Pan-American Trade Corporations.—Section 152 (relating to consolidated income-tax returns of Pan-American trade corporations) shall not apply with respect to any taxable year beginning after December 31, 1941.

(c) Foreign Corporations.—Section 238 (relating to denial of affiliation of foreign corporations) is repealed.

(d) Section 251 Corporations.)—Section 251 (i) (relating to denial of affiliation of section 251 corporations) is repealed.

(e) China Trade Act Corporations.—Section 264 (relating to denial of affiliation of China Trade Act corporations) is repealed.

(f) Cross-Reference.—Section 52 (b) is amended to read as follows:

"(b) Cross-Reference.—For provisions relating to consolidated returns, see section 141."

SEC. 160. Aliens and Foreign Corporations Treated as Non-Residents

(a) (1) Section 143 (a) (1) (relating to withholding of tax on interest from tax-free convenant bonds) is amended by striking out "and not having any office or place of business therein" wherever occurring therein.

(2) Section 143 (b) (relating to withholding of the tax at the source on nonresident ailens) is amended by striking out "and not having any office or place of business therein", by striking out "and not having an office or place of business therein", and by striking out "or has an office or place of business therein".

(3) Section 144 (relating to payment of corporation income tax at the source, is amended by striking out "and not having any office or place of business therein".

(4) The amendments made by this subsection shall apply only with respect to the period beginning with the tenth day after the date of the enactment of this Act.

(b) Section 14 (c) (relating to tax on foreign corporations) is amended—

(1) by striking out in paragraph (1) thereof "or having an office or place of business therein", and

(2) by striking out in paragraph (2) thereof "and not having an office or place of business therein".

(c) Section 119 (a) (1) (relating to interest from sources in the United States) is amended by striking out "and not having an office or place of business therein".

(d) Section 204 (d) (relating to deductions of foreign corporations), section 211 (b) (relating to nonresident alien individuals), section 231 (b) (relating to resident foreign corporations), and section 251 (e) (relating to deductions in the case of citizens and domestic corporations entitled to the benefits of section 251) are amended by striking out "or having an office or place of business therein" wherever occurring therein.

(e) Section 211 (a) (1) and section 211 (c) (relating to the imposition of tax on nonresident aliens) and section 231 (a) (relating to the imposition of tax on nonresident foreign corporations) are amended by striking out "and not having an office or place of business therein" wherever occurring therein.

(f) Section 219 (relating to nonresident alien members of partnerships) is amended by striking out "and as having an office or place of business within the United States if the partnership of which he is a member has such an office or place of business".

SEC. 161. Deductions for Estate Tax and Income Tax of Estate

(a) Double Deductions Denied.—Section 162 (related to net income of estates and trusts) is amended by inserting at the end thereof the following new subsection:

"(e) Amounts allowable under section 812 (b) as a deduction in computing the net estate of a decedent shall not be allowed as a deduction under section 23, except subsection (w), in computing the net income of the estate unless there is filed, within the time and in the manner and form prescribed by the Commissioner, a statement that the items have not been claimed or allowed as deductions under section 812 (b) and a waiver of the right to have such items allowed at any time as deductions under section 812 (b)."

(b) Taxable Years to Which Amendment Applicable—The amendment made by subsection (a) insofar as it relates to section 23 (a) (2) shall be applicable with respect to the same taxable years and the same revenue laws as the amendments made by section 121 (relating to non-trade or non-business deductions) of this Act; and the other provisions shall be applicable to taxable years beginning after December 31, 1941.

SEC. 162. Pension Trusts

(a) Exemption of Trusts.—Section 165 (relating to employees' trusts) is amended to read as follows:

"SEC. 165. Employees' Trusts

"(a) Exemption From Tax.—A trust forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall not be taxable under this supplement and no other provision of this supplement shall apply with respect to such trust or to its beneficiary—

"(1) if contributions are made to the trust by such employer, or employees, or both, for the purpose of distributing to such employees or their beneficiaries the corpus and income of the fund accumulated by the trust in accordance with such plan;

"(2) if under the trust instrument it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees and their beneficiaries under the trust, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, purposes other than for the exclusive benefit of his employees or their beneficiaries;

"(3) if the trust, or two or more trusts, or the trust or trusts and annuity plan or plans are designated by the employer as constituting parts of a plan intended to qualify under this subsection which benefits either—

"(A) 70 per centum or more of all the employees or 80 per centum or more of all the employees who are eligible to benefit under the plan if 70 per centum or more of all the employees are eligible to benefit under the plan, excluding in each case employees who have been employed not more than a minimum period prescribed by the plan, not exceeding five years, employees whose customary employment is for not more than twenty hours in any one week, and employees whose customary employment is for not more than five months in any calendar year, or

"(B) such employees as qualified under a classification set up by the employer and found by the Commissioner not to be discriminatory in favor of employees who are officers, shareholders, persons whose principal duties consist in supervising the work of other employees, or highly compensated employees;

and

"(4) if the contributions or benefits provided under the plan do not discriminate in favor of employees who are officers, shareholders, persons whose principal duties consist in supervising the work of other employees, or highly compensated employees.

"(5) A classification shall not be considered discriminatory within the meaning of paragraphs (3) (B) or (4) of this subsection merely because it excludes employees the whole of whose remuneration constitutes 'wages' under section 1426 (a) (1) (relating to the Federal Insurance Contributions Act) or merely because it is limited to salaried or clerical employees. Neither shall a plan be considered discriminatory within the meaning of such provisions merely because the contributions or benefits of or on behalf of the employees under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of such employees, or merely because the contributions or benefits based on that part of an employee's remuneration which is excluded from 'wages' by section 1426 (a) (1) differ from the contributions or benefits based on employee's remuneration not so excluded, or differ because of any retirement benefits created under State or Federal law.

"(6) A plan shall be considered as meeting the requirements of paragraph (3) of this subsection during the whole of any taxable year of the plan if on one day in each quarter it satisfied such requirements.

"(b) Taxability of Beneficiary.—The amount actually distributed or made available to any distributee by any such trust shall be taxable to him, in the year in which so distributed or made available, under section 22 (b) (2) as if it were an annuity the consideration for which is the amount contributed by the employee, except that if the total distributions payable with respect to any employee are paid to the distributee within one taxable year of the distributee on account of the employee's separation from the service, the amount of such distribution to the extent exceeding the amounts contributed by the employee, shall be considered a gain from the sale or exchange of a capital asset held for more than 6 months.

"(c) Treatment of Beneficiary of Trust Not Exempt Under Subsection (a).—Contributions to a trust made by an employer during a taxable year of the employer which ends within or with a taxable year of the trust for which the trust is not exempt under section 165 (a) shall be included in the gross income of an employee for the taxable year in which the contribution is made to the trust in the case of an employee whose beneficial interest in such contribution is nonforfeitable at the time the contribution is made."

(b) Deduction Allowed Employer.—Section 23 (p) (relating to deduction for amounts paid to pension trusts) is amended to read as follows:

"(p) Contributions of an Employer to an Employees' Trust or Annuity Plan and Compensation Under a Deferred-Payment Plan.—

"(1) General rule—If contributions are paid by an employer to or under a stock bonus, pension, profit-sharing, or annuity plan, or if compensation is paid or accrued on account of any employee under a plan deferring the receipt of such compensation, such contributions or compensation shall not be deductible under subsection (a) but shall be deductible, if deductible under subsection (a) without regard to this subsection, under this subsection but only to the following extent:

"(A) In the taxable year when paid, if the contributions are paid into a pension trust, and if such taxable year ends within or with a taxable year of the trust for which the trust is exempt under section 165 (a), in an amount determined as follows:

"(i) an amount not in excess of 5 per centum of the compensation otherwise paid or accrued during the taxable year to all the employees under the trust, but such amount may be reduced for future years if found by the Commissioner upon periodical examinations at not less than five-year intervals to be more than the amount reasonably necessary to provide the remaining unfunded cost of past and current service credits of all employees under the plan, plus

"(ii) any excess over the amount allowable under clause (i) necessary to provide with respect to all of the employees under the trust the remaining unfunded cost of their past and current service credits distributed as a level amount, or a level percentage of compensation, over the remaining future service of each such employee, as determined under regulations prescribed by the Commissioner with the approval of the Secretary, but if such remaining unfunded cost with respect to any three individuals is more than 50 per centum of such remaining unfunded cost, the amount of such unfunded cost attributable to such individuals shall be distributed over a period of at least 5 taxable years, or

"(iii) in lieu of the amounts allowable under (i) and (ii) above, an amount equal to the normal cost of the plan, as determined under regulations prescribed by the Commissioner with the approval of the Secretary, plus, if past service or other supplementary pension or annuity credits are provided by the plan, an amount not in excess of 10 per centum of the cost which would be required to completely fund or purchase such pension or annuity credits as of the date when they are included in the plan, as determined under regulations prescribed by the Commissioner with the approval of the Secretary, except that in no case shall a deduction be allowed for any amount (other than the normal cost) paid in after such pension or annuity credits are completely funded or purchased.

"(iv) Any amount paid in a taxable year in excess of the amount deductible in such year under the foregoing limitations shall be deductible in the succeeding taxable years in order of time to the extent of the difference between the amount paid and deductible in each such succeeding year and the maximum amount deductible for such year in accordance with the foregoing limitations.

"(B) In the taxable year when paid, in an amount determined in accordance with subparagraph (A) of this paragraph, if the contributions are paid toward the purchase of retirement annuities and such purchase is a part of a plan which meets the requirements of section 165 (a), (3), (4), (5), and (6), and if refunds of premiums, if any, are applied within the current taxable year or next succeeding taxable year towards the purchase of such retirement annuities.

"(C) In the taxable year when paid, if the contributions are paid into a stock bonus or profit-sharing trust, and if such taxable year ends within or with a taxable year of the trust with respect to which the trust is exempt under section 165 (a), in an amount not in excess of 15 per centum of the compensation otherwise paid or accrued during the taxable year to all employees under the stock bonus or profit-sharing plan. If in any taxable year beginning after December 31, 1941, there is paid into the trust, or a similar trust then in effect, amounts less than the amounts deductible under the preceding sentence, the excess, or if no amount is paid, the amounts deductible, shall be carried forward and be deductible when paid in the succeeding taxable years in order of time, but the amount so deductible under this sentence in any such succeeding taxable year shall not exceed 15 per centum of the compensation otherwise paid or accrued during such succeeding taxable year to the beneficiaries under the plan. In addition, any amount paid into the trust in a taxable year beginning after December 31, 1941, in excess of the amount allowable with respect to such year under the preceding provisions of this subparagraph shall be deductible in the suceeding taxable years in order of time, but the amount so deductible under this sentence in any one such suceeding taxable year together with the amount allowable under the first sentence of this subparagraph shall not exceed 15 per centum of the compensation otherwise paid or accrued during such taxable year to the beneficiaries under the plan. The term 'stock bonus or profit-sharing trust,' as used in this subparagraph, shall not include any trust designed to provide benefits upon retirement and covering a period of years, if under the plan the amounts to be contributed by the employer can be determined actuarily as provided in subparagraph (A). If the contributions are made to two or more stock bonus or profit-sharing trusts, such trusts shall be considered a single trust for the purposes of applying the limitations in this subparagraph.

"(D) In the taxable year when paid, if the plan is not one included in paragraphs (A), (B), or (C), if the employees' rights to or derived from such employer's contribution or such compensation are nonforfeitable at the time the contribution or compensation is paid.

"(E) For the purposes of subparagraphs (A), (B), and (C), a taxpayer on the accrual basis shall be deemed to have made a payment on the last day of the year of accrual if the payment is on account of such taxable year and is made within sixty days after the close of the taxable year of accrual.

"(F) If amounts are deductible under subparagraphs (A) and (C), or (B) and (C), or (A), (B), and (C), in connection with two or more trusts, or one or more trusts and an annuity plan, the total amount deductible in a taxable year under such trusts and plans shall not exceed 25 per centum of the compensation otherwise paid or accrued during the taxable year to the persons who are the beneficiaries of the trusts or plans. In addition, any amount paid into such trust or under such annuity plans in a taxable year beginning after December 31, 1941, in excess of the amount allowable with respect to such year under the preceding provisions of this subparagraph shall be deductible in the succeeding taxable years in order of time, but the amount so deductible under this sentence in any one such succeeding taxable year together with the amount allowable under the first sentence of this subparagraph shall not exceed 30 per centum of the compensation otherwise paid or accrued during such taxable years to the beneficiaries under the trusts or plans. This subparagraph shall not have the effect of reducing the amount otherwise deductible under subparagraphs (A), (B), and (C), if no employee is a beneficiary under more than one trust, or a trust and an annuity plan.

If there is no plan but a method of employer contributions or compensation has the effect of a stock bonus, pension, profit-sharing, or annuity plan, or similar plan deferring the receipt of compensation, this paragraph shall apply as if there were such a plan.

"(2) Deductions Under Prior Income Tax Acts.—Any deduction allowable under section 23 (q) of the Revenue Act of 1928 (45 Stat. 802), or the Revenue Act of 1932 (47 Stat. 182), or the Revenue Act of 1934 (48 Stat. 691), under section 23 (p) of the Revenue Act of 1936 (49 Stat. 1661), or the Revenue Act of 1938 (52 Stat. 464), or the Internal Revenue Code for a taxable year beginning before January 1, 1943, which under such section was apportioned to any taxable year beginning after December 31, 1942, shall be allowed as a deduction for the years to which so apportioned to the extent allowable under such section if it had remained in force with respect to such year,".

(c) Employees Annuities—Section 22 (b) (2) (relating to taxation of annuities) is amended by inserting at the end thereof the following new subparagraph:

"(B) Employees' Annuities.—If an annuity contract is purchased by an employer for an employee under a plan with respect to which the employer's contribution is deductible under section 23 (p) (1) (B), or if an annuity contract is purchased for an employee by an employer exempt under section 101 (6), the employee shall include in his income the amounts received under such contract for the year received except that if the employee paid any of the consideration for the annuity, the annuity shall be included in his income as provided in subparagraph (A) of this paragraph, the consideration for such annuity being considered the amount contributed by the employee. In all other cases, if the employee's rights under the contract are nonforfeitable except for failure to pay future premiums, the amount contributed by the employer for such annuity contract on or after such rights become nonforfeitable shall be included in the income of the employee in the year in which the amount is contributed, which amount together with any amounts contributed by the employee shall constitute the consideration paid for the annuity contract in determining the amount of the annuity required to be included in the income of the employee under subparagraph (A) of this paragraph."

(d) Taxable Years to Which Amendments Applicable.—The amendments made by this section shall be applicable as to both the employer and employees only with respect to taxable years of the employer beginning after December 31, 1941, except that—

(1) In the case of a stock bonus, pension, profit-sharing, or annuity plan in effect on or before September 1, 1942,

(A) such a plan shall not become subject to the requirements of section 165 (a) (3), (4), (5), and (6) until the beginning of the first taxable year beginning after December 31, 1942.

(B) such a plan shall be considered as satisfying the requirements of section 165 (a) (3), (4), (5), and (6) for the period beginning with the beginning of the first taxable year following December 31, 1942, and ending December 31, 1943, if the plan satisfies such requirements by December 31, 1943,

(C) if the contribution of an employer to such a plan in the employer's taxable year beginning in 1942 exceeds the maximum amount deductible for such year under section 23 (p) (1), as amended by this section, the amount deductible in such year shall be not less than the sum of—

(i) the amount paid in such taxable year prior to September 1, 1942, and deductible under section 23 (a) or 23 (p) prior to amendment by this section, and

(ii) with respect to the amount paid in such taxable year on or after September 1, 1942, that proportion of the amount deductible for the taxable year under section 23 (p) (1), as amended by this section, which the number of months after August 31, 1942, in the taxable year bears to twelve.

(2) In the case of a stock bonus, pension, profit sharing or annuity plan put into effect after September 1, 1942, such a plan shall be considered as satisfying the requirements of section 165 (a) (3), (4), (5) and (6) for the period beginning with the date such plan is put into effect and ending December 31, 1943, if the plan satisfies such requirements by December 31, 1943.

(e) Technical Amendment to Investment Company Act of 1940.—Section 3 (c) (13) of the Investment Company Act of 1940 is amended to read as follows:

"(13) Any employees stock bonus, pension, or profit-sharing trust which meets the conditions of section 165 of the Internal Revenue Code, as amended."

SEC. 163. Life Insurance Companies

(a) Sections 201, 202, and 203 (relating to life insurance companies) are amended to read as follows:

"SEC. 201. Life Insurance Companies

"(a) Imposition of Tax.—

"(1) In general.—There shall be levied, collected, and paid for each taxable year upon the adjusted normal-tax net income (as defined in section 202) and upon the adjusted corporation surtax net income (as defined in section 203), of every life insurance company taxes at the rates provided in section 13 or section 14 (b) and in section 15 (b).

"(2) Foreign life insurance companies.—A foreign life insurance company carrying on a life insurance business within the United States if with respect to its United States business it would qualify as a life insurance company under subsection (b) shall be taxable in the same manner as a domestic life insurance company except that the determinations necessary for the purposes of this chapter shall be made on the basis of the income, disbursements, assets, and liabilities reported in the annual statement for the taxable year of the United States business of such company on the form approved for life insurance companies by the National Association of Insurance Commissioners.

"(3) No United States insurance business.—Foreign life insurance companies not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations.

"(b) Definition of Life Insurance Company.—When used in this chapter, the term 'life insurance company' means an insurance company which is engaged in the business of issuing life insurance and annuity contracts (either separately or combined with health and accident insurance), or noncancellable contracts of health and accident insurance, and the life insurance reserves (as defined in subsection (c) (2)) plus unearned premiums and unpaid losses on noncancellable life, health, or accident policies not included in life insurance reserves, of which comprise more than 50 per centum of its total reserves. For the purpose of this subsection, total reserves means life insurance reserves, unearned premiums and unpaid losses not included in life insurance reserves, and all other insurance reserves required by law. For taxable years beginning after December 31, 1943, a burial or funeral benefit insurance company engaged directly in the manufacture of funeral supplies or the performance of funeral services shall not be taxable under this section, but shall be taxable under section 204 or section 207.

"(c) Other Definitions.—In the case of a life insurance company—

"(1) Gross income.—The term 'gross income' means the gross amount of income received during the taxable year from interest, dividends, and rents.

"(2) life insurance reserves.—The term 'life insurance reserves' means amounts which are computed or estimated on the basis of recognized mortality or morbidity tables and assumed rates of interest, and which are set aside to mature or liquidate, either by payment or reinsurance, future unaccrued claims arising from life insurance, annuity, and noncancellable health and accident insurance contracts (including life insurance or annuity contracts combined with noncancellable health and accident insurance) involving, at the time with respect to which the reserve is computed, life, health, or accident contingencies. Such life insurance reserves, except in the case of policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan, continuing for life and not subject to cancellation and except as hereinafter provided in the case of assessment life insurance, must also be required by law. In the case of an assessment life insurance company or association the term 'life insurance reserves' includes sums actually deposited by such company or association with State or Territorial officers pursuant to law as guaranty or reserve funds, and any funds maintained under the charter or articles of incorporation or association, or bylaws approved by State Insurance Commissioner of such company or association exclusively for the payment of claims arising under certificates of membership or policies issued upon the assessment plan and not subject to any other use.

"(3) Adjusted reserves.—The term 'adjusted reserves' means life insurance reserves plus 7 per centum of that portion of such reserves as are computed on a preliminary term basis.

"(4) Reserve earnings rate.—The term 'reserve earnings rate' means a rate computed by adding 2.1125 per centum (65 per centum of 3¼ per centum) to 35 per centum of the average rate of interest assumed in computing life insurance reserves. Such average rate shall be calculated by multiplying each assumed rate of interest by the means of the amounts of the adjusted reserves computed at that rate at the beginning and end of the taxable year and dividing the sum of the products by the mean of the total adjusted reserves at the beginning and respect to such year,".

"(5) Reserve for deferred dividends.—The term 'reserve for deferred dividends' means sums held at the end of the taxable year as a reserve for dividends (other than dividends payable during the year following the taxable year) the payment of which is deferred for a period of not less than five years from the date of the policy contract.

"(6) Interest paid.—The term 'interest paid' means—

"(A) All interest paid within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation under this chapter, and

"(B) All amounts in the nature of interest, whether or not guaranteed, paid within the taxable year on insurance or annuity contracts (or contracts arising out of insurance or annuity contracts) which do not involve, at the time of payment, life, health, or accident contingencies.

"(7) Net income.—The term 'net income' means the gross income less—

"(A) Tax-free Interest.—The amount of interest received during the taxable year which under section 22 (b) (4) is excluded from gross income;

"(B) Investment Expenses.—Investment expenses paid during the taxable year. If any general expenses are in part assigned to or included in the investment expenses, the total deduction under this subparagraph shall not exceed one-fourth of 1 per centum of the mean of the book value of the invested assets held at the beginning and end of the taxable year plus one-fourth of the amount by which net income computed without any deduction for investment expenses allowed by this subparagraph, or for tax-free interest allowed by subparagraph (A), exceeds 3¾ per centum of the book value of the mean of the invested assets held at the beginning and end of the taxable year;

"(C) Real Estate Expenses.—Taxes and other expenses paid during the taxable year exclusively upon or with respect to the real estate owned by the company, not including taxes assessed against local benefits of a kind tending to increase the value of the property assessed, and not including any amount paid out for new buildings, or for permanent improvements or betterments made to increase the value of any property. The deduction allowed by this paragraph shall be allowed in the case of taxes imposed upon a shareholder of a company upon his interest as shareholder, which are paid by the company without reimbursement from the shareholder, but in such cases no deduction shall be allowed the shareholder for the amount of such taxes;

"(D) Depreciation.—A reasonable allowance, as provided in section 23 (1), for the exhaustion, wear and tear of property, including a reasonable allowance for obsolescence.

"(d) Rental Value of Real Estate.—The deduction under subsection (c) (7) (C) or (c) (7) (D) of this section on account of any real estate owned and occupied in whole or in part by a life insurance company, shall be limited to an amount which bears the same rato to such deduction (computed without regard to this subsection) as the rental value of the space not so occupied bears to the rental value of the entire property.

"(e) Amortization of Premium and Accrual of Discount.—The gross income, the deduction provided in section 201 (c) (7) (A) and the credit allowed against net income in section 26 (a) shall each be decreased by the appropriate amortization of premium and increased by the appropriate accrual of discount attributable to the taxable year on bonds, notes, debentures or other evidences of indebtedness held by a life insurance company. Such amortization and accrual shall be determined (1) in accordance with the method regularly employed by such company, if such method is reasonable, and (2) in all other cases, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

"(f) Double Deductions.—Nothing in this section or in section 202 or 203 shall be construed to permit the same items to be twice deducted.

"(g) Credits Under Section 26.—For the purposes of this section, in computing normal tax net income and corporation surtax net income, the credits provided in section 26 shall be allowed in the manner and to the extent provided in sections 13 (a) and 15 (a)."

"SEC. 202. Adjusted Normal-Tax Net Income

"(a) Definition.—For the purposes of section 201, the term 'adjusted normal-tax net income' means the normal-tax net income minus the reserve and other policy liability credit provided in subsection (b) and plus the amount of the adjustment for certain reserves provided in subsection (c).

"(b) Reserve and Other Policy Liability Credit.—As used in this section the term 'reserve and other policy liability credit' means an amount computed by multiplying the normal-tax net income by a figure, to be determined and proclaimed by the Secretary for each taxable year. This figure shall be based on such data with respect to life insurance companies for the preceding taxable year as the Secretary considers representative and shall be computed in accordance with the following formula: The ratio which (1) the aggregate of the sums of (A) 2 per centum of the reserves for deferred dividends, (B) interest paid, and (C) the product of (i) the mean of the adjusted reserves at the beginning and end of the taxable year and (ii) the reserve earnings rate bears to (2) the aggregate of the excess of net incomes computed without any deduction for tax-free interest, over the adjustment for certain reserves provided in subsection (c).

"(c) Adjustment for Certain Reserves.—In the case of a life insurance company writing contracts other than life insurance or annuity contracts (either separately or combined with noncancellable health and accident insurance), the term 'adjustment for certain reserves' means an amount equal to 3¼ per centum of the unearned premiums and unpaid losses on such other contracts which are not included in life insurance reserves. For the purposes of this subsection such unearned premiums shall not be considered to be less than 25 per centum of the net premiums written during the taxable year on such other contracts.

"SEC. 203. Adjusted Corporation Surtax Net Income

"(a) Definition.—For the purposes of section 201, the term 'adjusted corporation surtax net income' means the corporation and surtax net income minus the reserve and other policy liability credit and plus the adjustment for certain reserves provided in section 202 (c).

"(b) Reserve and Other Policy Liability Credit.—As used in this section, the term 'reserve and other policy liability credit' means an amount computed by multiplying the corporation surtax net income by the figure determined and proclaimed under section 202 (b)."

(b) Technical Amendments.—

(1) Section 103 (relating to rates of tax on citizens and corporations of certain foreign countries) is amended by striking out "201 (b)" wherever appearing therein and inserting "201 (a)".

"(2) Normal-tax and corporation surtax net in- is repealed.

SEC. 164. Insurance Companies Other Than Life or Mutual and Mutual Marine Insurance Companies

(a) Section 204 (a) (relating to tax on insurance companies other than life or mutual) is amended to read as follows:

"(a) Imposition of Tax.—

"(1) In general.—There shall be levied, collected, and paid for each taxable year upon the normal-tax net income and upon the corporation surtax net income of every insurance company (other than a life or mutual insurance company and every mutual marine insurance company taxes at the rates specified in section 13 or section 14 (b) and in section 15 (b).

"(2) Normal-tax and corporation surtax net income of foreign insurance companies other than life or mutual and foreign mutual marine.—In the case of a foreign insurance company (other than a life or mutual insurance company) and a foreign mutual marine insurance company, the normal-tax net income shall be the net income from sources within the United States minus the credit provided in section 26 (a), the credit provided in section 26 (b), and the credit for income subject to the tax imposed by Subchapter E of Chapter 2 provided in section 26 (e) and the corporation surtax net income shall be the net income from sources within the United States minus the credit provided in section 26 (b) (computed by limiting such credit to 85 per centum of the net income reduced by the credit for income subject to the tax imposed by Subchapter E of Chapter 2 in lieu of 85 per centum of the adjusted net income so reduced), and minus the credit for income subject to the tax imposed by Subchapter E of Chapter 2 provided in section 26 (e).

"(3) No United States Insurance Business—Foreign insurance companies (other than a life or mutual insurance company) and foreign mutual marine insurance companies not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations."

(b) Section 204 (b) (5) (relating to definition of premiums earned) is amended by striking out the semicolon at the end thereof and inserting a period and the following new sentence: "For the purposes of this subsection, unearned premiums shall include life insurance reserves, as defined in section 201 (c) (2), pertaining to the life, burial, or funeral insurance, or annuity business of an insurance company subject to the tax imposed by this section and not qualifying as a life insurance company under section 201 (b);"

(c) Section 204 (c) (relating to deductions) is amended as follows:

(1) by changing paragraph (5) to read:

"(5) Capital Losses—Capital losses to the extent provided in section 117 plus losses from capital assets sold or exchanged in order to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders. Capital assets shall be considered as sold or exchanged in order to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders to the extent that the gross receipts from their sale or exchange are not greater than the excess, if any, for the taxable year of the sum of dividends and similar distributions paid to policyholders in their capacity as such, losses paid, and expenses paid over the sum of interest, dividends, rents, and net premiums received. In the application of section 117 (e) for the purposes of this section, the net capital loss for the taxable year shall be the amount by which losses for such year from sales or exchanges of capital assets exceeds the sum of the gains from such sales or exchanges and whichever of the following amounts is the lesser:

"(A) the corporation surtax net income (computed without regard to gains or losses from sales or exchanges of capital assets); or

"(B) losses from the sale or exchange of capital assets sold or exchanged to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders."

and (2) by striking out the period at the end thereof and inserting a semicolon and the following new paragraph:

"(11) Dividends and similar distributions paid or declared to policyholders in their capacity as such. The term 'paid or declared' shall be construed according to the method of accounting regularly employed in keeping the books of the insurance company.";

(d) Section 204 is amended by adding at the end thereof the following new subsection:

"(f) Credits Under Section 26—For the purposes of this section, in computing normal tax net income and corporation surtax net income, the credits provided in section 26 shall be allowed in the manner and to the extent provided in sections 13 (a) and 15 (a)."

(e) Cross Reference—For stamp tax on policies written by foreign insurers, see section 502 of this Act.

Sec. 165. Mutual Insurance Companies Other Than Life or Marine

(a) Exempt Companies—Section 101 (11) is amended to read as follows:

"(11) Mutual insurance companies or associations other than life or marine (including interinsurers and reciprocal underwriters) if the gross amount received during the taxable year from interest, dividends, rents, and premiums (including deposits and assessments) does not exceed $75,000;".

(b) Taxable Companies—Section 207 (relating to taxation of mutual insurance companies other than life) is amended to read as follows:

"Sec. 207. Mutual Insurance Companies Other than Life or Marine.

"(a) Imposition of Tax.—There shall be levied, collected, and paid for each taxable year upon the income of every mutual insurance company (other than a life or a marine insurance company and other than an interinsurer or reciprocal underwriter) a tax computed under paragraph (1) or paragraph (2) whichever is the greater and upon the income of every mutual insurance company (other than a life or a marine insurance company) which is an interinsurer or reciprocal underwriter, a tax computed under paragraph (3):

"(1) If the corporation surtax net income is over $3,000 a tax computed as follows:

"(A) Normal Tax.—A normal tax on the normal-tax net income, computed at the rates provided in section 13 or section 14 (b), or 30 per centum of the amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"(B) Surtax.—A surtax on the corporation surtax net income, computed at the rates provided in section 15 (b), or 20 per centum of the amount by which the corporation surtax net income exceeds $3,000, whichever is the lesser.

"(2) If for the taxable year the gross amount of income from interest, dividends, rents, and net premiums, minus dividends to policy holders, minus the interest which under section 22 (b) (4) is excluded from gross income, exceeds $75,000, a tax equal to the excess of—

"(A) 1 per centum of the amounts so computed, or 2 per centum of the excess of the amount so computed over $75,000, whichever is the lesser, over

"(B) the amount of the tax imposed under Subchapter E of Chapter 2.

"(3) In the case of an interinsurer or reciprocal underwriter, if the corporation surtax net income is over $50,000 a tax computed as follows:

"(A) Normal Tax—A normal tax on the normal-tax net income, computed at the rates provided in section 13 or section 14 (b), or 48 per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"(B) Surtax—A surtax on the corporation surtax net income, computed at the rates provided in section 15 (b), or 32 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.

"(4) Gross amount received over $75,000, but less than $125,000—If the gross amount received during the taxable year from interest, dividends, rents and premiums (including deposits and assessments) is over $75,000 but less than $125,000, the amount ascertained under paragraph (1), paragraph (2) (A) and paragraph (3) shall be an amount which bears the same proportion to the amount ascertained under such paragraph, computed without reference to this paragraph, as the excess over $75,000 of such gross amount received bears to $50,000.

"(5) Foreign mutual insurance companies other than life or marine—In the case of a foreign mutual insurance company (other than a life or marine insurance company), the net income shall be the net income from sources within the United States and the gross amount of income from interest, dividends, rents, and net premiums shall be the amount of such income from sources within the United States.

"(6) No United States insurance business—Foreign mutual insurance companies (other than a life or marine insurance company) not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations.

"(b) Definition of Income, Etc.—In the case of an insurance company subject to the tax imposed by this section—

"(1) Gross investment income—'Gross investment income' means the gross amount of income during the taxable year from interest, dividends, rents, and gains from sales or exchanges of capital assets to the extent provided in section 117;

"(2) Net premiums—'Net premiums' means gross premiums (including deposits and assessments) written or received on insurance contracts during the taxable year less return premiums and premiums paid or incurred for reinsurance. Amounts returned where the amount is not fixed in the insurance contract but depends upon the experience of the company or the discretion of the management shall not be included in return premiums but shall be treated as dividends to policyholders under paragraph (3);

"(3) Dividends to policyholders—'Dividends to policyholders' means dividends and similar distributions paid or declared to policyholders. The term 'paid or declared' shall be construed according to the method regularly employed in keeping the books of the insurance company;

"(4) Net income—The term 'net income' means the gross investment income less—

"(A) Tax-free Interest—The amount of interest which under section 22 (b) (4) is excluded for the taxable year from gross income;

"(B) Investment Expenses—Investment expenses paid or accrued during the taxable year. If any general expenses are in part assigned to or included in the investment expenses, the total deduction under this subparagraph shall not exceed one-fourth of 1 per centum of the mean of the book value of the invested assets held at the beginning and end of the taxable year plus one-fourth of the amount by which net income computed without any deduction for investment expenses allowed by this subparagraph, or for tax-free interest allowed by subsection (b) (4) (A), exceeds 3¾ per centum of the book value of the mean of the invested assets held at the beginning and end of the taxable year;

"(C) Real Estate Expenses—Taxes and other expenses paid or accrued during the taxable year exclusively upon or with respect to the real estate owned by the company, not including taxes assessed against local benefits of a kind tending to increase the value of the property assessed, and not including any amount paid out for new buildings, or for permanent improvements or betterments made to increase the value of any property. The deduction allowed by this paragraph shall be allowed in the case of taxes imposed upon a shareholder of a company upon his interest as shareholder, which are paid or accrued by the company without reimbursement from the shareholder, but in such cases no deduction shall be allowed the shareholder for the amount of such taxes;

"(D) Depreciation—A reasonable allowance, as provided in section 23 (l), for the exhaustion, wear and tear of property, including a reasonable allowance for obsolescence;

"(E) Interest Paid or Accrued—All interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation under this chapter.

"(F) Capital Losses—Capital losses to the extent provided in section 117 plus losses from capital assets sold or exchanged in order to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders. Capital assets shall be considered as sold or exchanged in order to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders to the extent that the gross receipts from their sale or exchange are not greater than the excess, if any, for the taxable year of the sum of dividends and similar distributions paid to policyholders, losses paid, and expenses paid over the sum of interest, dividends, rents, and net premiums received. In the application of section 117 (e) for the purposes of this section, the net capital loss for the taxable year shall be the amount by which losses for such year from sales or exchanges of capital assets exceeds the sum of the gains from such sales or exchanges and whichever of the following amounts is the lesser:

"(i) the corporation surtax net income (computed without regard to gains or losses from sales or exchanges of capital assets); or

"(ii) losses from the sale or exchange of capital assets sold or exchanged to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders.

"(c) Rental Value of Real Estate—The deduction under subsection (b) (4) (C) or (b) (4) (D) of this section on account of any real estate owned and occupied in whole or in part by a mutual insurance company other than life or marine, shall be limited to an amount which bears the same ratio to such deduction (computed without regard to this subsection) as the rental value of the space not so occupied bears to the rental value of the entire property.

"(d) Amortization of Premium and Accrual of Discount—The gross amount of income during the taxable year from interest, the deduction provided in subsection (b) (4) (A), and the credit allowed against net income in section 26 (a) shall each be decreased by the appropriate amortization of premium and increased by the appropriate accrual of discount attributable to the taxable year on bonds, notes, debentures or other evidences of indebtedness held by a mutual insurance company other than life or marine. Such amortization and accrual shall be determined (1) in accordance with the method regularly employed by such company, if such method is reasonable, and (2) in all other cases, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

"(e) Deductions of Foreign Corporations—In the case of a foreign corporation the deductions allowed in this section shall be allowed to the extent provided in Supplement I in the case of a foreign corporation engaged in trade or business within the United States.

"(f) Double Deductions—Nothing in this section shall be construed to permit the same item to be twice deducted.

"(g) Credits Under Section 26—For the purposes of this section, in computing normal tax net income and corporation surtax net income, the credits provided in section 26 shall be allowed in the manner and to the extent provided in sections 13 (a) and 15 (a)."

(c) Cross Reference—For stamp tax on policies written by foreign insurers, see section 502 of this Act.

SEC. 166. Technical Amendment to Definition of "Dividend"

Section 115 (a) (relating to definition of dividends) is amended by striking out "(except in section 203 (a) (3) and section 207 (c) (1), relating to insurance companies)" and inserting the following "(except in section 201 (c) (5), section 204 (c) (11) and section 207 (a) (2) and (b) (3) (where the reference is to dividends of insurance companies paid to policyholders))."

SEC. 167. Transactions in Stocks, Securities, and Commodities Not Considered Engaging in Trade or Business in Certain Cases

The last sentence of section 211 (b) (relating to definition of being engaged in trade or business in the United States) is amended to read as follows: "Such phrase does not include the effecting, through a resident broker, commission agent, or custodian, of transactions in the United States in commodities (if of a kind customarily dealt in on an organized commodity exchange, if the transaction is of the kind customarily consummated at such place, and if the alien, partnership, or corporation has no office or place of business in the United States at any time during the taxable year through which or by the direction of which such transactions in commodities are effected), or in stocks or securities."

SEC. 168. Period for Filing Petition Extended in Certain Cases

(a) Period Extended—Section 272 (a) (1) (relating to period for filing petition with Board of Tax Appeals) is amended by inserting at the end thereof the following new sentence: "If the notice is addressed to a person outside the States of the Union and the District of Columbia, the period specified in this paragraph shall be one hundred and fifty days in lieu of ninety days."

(b) Effective Date—The amendment made by this section shall be applicable with respect to notices of deficiency mailed after the date of the enactment of this Act.

SEC. 169. Statute of Limitations on Refunds and Credits

(a) Limit on Amount of Credit or Refund—Section 322 (b) (2) is amended to read as follows:

"(2) Limit on amount of credit or refund—The amount of the credit or refund shall not exceed the portion of the tax paid—

"(A) If a return was filed by the taxpayer, and the claim was filed within three years from the time the return was filed, during the three years immediately preceding the filing of the claim.

"(B) If a claim was filed, and (i) no return was filed, or (ii) if the claim was not filed within three years from the time the return was filed by the taxpayer, during the two years immediately preceding the filing of the claim.

"(C) If no claim was filed and the allowance of credit or refund is made within three years from the time the return was filed by the taxpayer, during the three years immediately preceding the allowance of the credit or refund.

"(D) If no claim was filed, and (i) no return was filed or (ii) the allowance of the credit or refund is not made within three years from the time the return was filed by the taxpayer, during the two years immediately preceding the allowance of the credit or refund.

"(3) Exceptions in the case of waivers—If both the Commissioner and the taxpayer have, within the period prescribed in paragraph (1) for the filing of a claim for credit or refund, agreed in writing under the provisions of section 276 (b) to extend beyond the period prescribed in section 275 the time within which the Commissioner may make an assessment, the period within which a claim for credit or refund may be filed, or credit or refund allowed or made if no claim is filed, shall be the period within which the Commissioner may make an assessment pursuant to such agreement or any extension thereof, and six months thereafter, except that the provisions of paragraph (1) shall apply to any claim filed, or credit or refund allowed or made, before the execution of such agreement. The amount of the credit or refund shall not exceed the total of the portions of tax paid (A) during the two years immediately preceding the execution of such agreement, or, if such agreement was executed within three years from the time the return was filed, during the three years immediately preceding the execution of such agreement, (B) after the execution of the agreement and before the expiration of the period within which the Commissioner might make an assessment pursuant to such agreement or any extension thereof, and (C) during six months after the expiration of such period, except that the provisions of paragraph (2) shall apply to any claim filed, or credit or refund allowed, before the execution of the agreement. If any portion of the tax is paid after the expiration of the period within which the Commissioner might make an assessment pursuant to such agreement, and if no claim for credit or refund is filed after the time of such payment and before the end of six months after the expiration of such period, then credit or refund may be allowed or made if a claim therefor is filed by the taxpayer within six months from the time of such payment, or, if no claim is filed within such six-month period after the payment, if the credit or refund is allowed or made within such period, but the amount of the credit or refund shall not exceed the portion of the tax paid during the six months immediately preceding the filing of the claim, or, if no claim was filed (and the credit or refund is allowed after six months after the expiration of the period within which the Commissioner might make an assessment), during the six months immediately preceding the allowance of the credit or refund.

"(4) Return considered filed on due date—For the purposes of this subsection, a return filed before the last day prescribed by law for the filing thereof shall be considered as filed on such last day. For the purposes of paragraph (2) and (3) of this subsection, and for the purposes of subsection (d) of this section, an advance payment of any portion of the tax made at the time such return was filed shall be considered as made on the last day prescribed by law for the payment of the tax or, if the taxpayer elected to pay the tax in installments, on the last day prescribed for the payment of the first installment. For the purposes of this paragraph, the last day prescribed by law for filing the return or paying the tax shall be determined without regard to any extension of time granted the taxpayer.

"(5) Special period of limitation with respect to bad debts and worthless securities—If the claim for credit or refund relates to an overpayment on account of—

"(A) the deductibility by the taxpayer, under section 23 (k) (1), section 23 (k) (4), or section 204 (c), of a debt as a debt which became worthless, or, under section 23 (g) (2) or (k) (2), of a loss from worthlessness of a security, or

"(B) the effect that the deductibility of a debt or loss described in subparagraph (A) has on the application to the taxpayer of a carry-over or of a carry-back,

in lieu of the three-year period of limitation prescribed in paragraph (1), the period shall be seven years from the date prescribed by law for filing the return for the year with respect to which the claim is made. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in paragraph (2) or paragraph (3), whichever is applicable, to the extent of the amount of the overpayment attributable to the deductibility of items described in this paragraph."

(b) Overpayment Found by Board—Section 322 (d) is amended to read as follows:

"(d) Overpayment Found by Board—If the Board finds that there is no deficiency and further finds that the taxpayer has made an overpayment of tax in respect of the taxable year in respect of which the Commissioner determined the deficiency, the Board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the Board has become final, be credited or refunded to the taxpayer. No such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision (1) that such portion was paid (A) within two years before the filing of the claim, the mailing of the notice of deficiency, or the execution of an agreement by both the Commissioner and the taxpayer pursuant to section 276 (b) to extend beyond the time prescribed in section 275 the time within which the Commissioner might assess the tax, whichever is earliest, or (B) within three years before the filing of the claim, the mailing of the notice of deficiency, or the execution of the agreement, whichever is earliest, if the claim was filed, the notice of deficiency mailed, or the agreement executed within three years from the time the return was filed by the taxpayer, or (C) after the execution of such an agreement and before the expiration of the period within which the Commissioner might make an assessment pursuant to such agreement or any extension thereof, or (D) after the mailing of the notice of deficiency; or (2), if such portion was not paid within the period described in clause (1), but the notice of deficiency was mailed within seven years from the time prescribed for the filing of the return, or a claim described in subsection (b) (5) was filed, that such portion does not exceed the amount of the overpayment attributable to the deductibility of items described in subsection (b) (5)."

(c) Effective Date of Amendment—The amendment inserting paragraph (5) of section 322 (b) shall be applicable to taxable years beginning after December 31, 1938.

SEC. 170. Regulated Investment Companies

(a) Definition and Rates of Normal Tax and Surtax—Supplement Q of Chapter 1 is amended to read as follows:

"Supplement Q—Regulated Investment Companies

"SEC. 361. Definition

"(a) In General—For the purposes of this chapter, the term 'regulated investment company' means any domestic corporation (whether chartered or created as an investment trust, or otherwise), other than a personal holding company as defined in section 501, which at all times during the taxable year is registered under the Investment Company Act of 1940 (54 Stat. 789, 15 U. S. C., 1940 ed., secs. 80 a—1 to 80 b—2), or that Act, as amended, either as a management company or as a unit investment trust, or which is a common trust fund or similar fund excluded by section 3 (c) (3) of such Act from the definition of 'investment company' and is not included in the definition of 'common trust fund' by section 169.

"(b) Limitations—Despite the provisions of subsection (a), a corporation shall not be considered a regulated investment company for any taxable year unless—

"(1) At least 90 per centum of its gross income is derived from dividends, interest, and gains from the sale or other disposition of stock or securities; and

"(2) Less than 30 per centum of its gross income is derived from the sale or other disposition of stock or securities held for less than three months; and

"(3) At the close of each quarter of the taxable year (A) at least 50 per centum of the value of its total assets is represented by cash and cash items including receivables), Government securities, securities of other regulated investment companies, and other securities for the purposes of this calculation limited in respect of any one issuer to an amount not greater in value than 5 per centum of the value of the total assets of the taxpayer and to not more than 10 per centum of the outstanding voting securities of such issuer, and (B) not more than 25 per centum of the value of its total assets is invested in the securities (other than Government securities or the securities of other regulated investment companies) of any one issuer, or of two or more issuers which the taxpayer controls and which are determined, under regulations prescribed by the Commissioner with the approval of the Secretary, to be engaged in the same or similar trades or businesses or related trades or businesses. For the purposes of clause (B), in ascertaining the value of the taxpayer's investment in the securities of an issuer, there shall be included its proper proportion of the investment of any other corporation, a member of a controlled group, in the securities of such issuer, as determined under regulations prescribed by the Commissioner and approved by the Secretary. The term 'controls,' as used in this paragraph, means the ownership in a corporation of 20 per centum or more of the total combined voting power of all classes of stock entitled to vote. The term 'controlled group,' as used in this paragraph, means one or more chains of corporations connected through stock ownership with the taxpayer if (i) 20 per centum or more of the total combined voting power of all classes of stock entitled to vote of each of the corporations (except the taxpayer) is owned directly by one or more of the other corporations, and (ii) the taxpayer owns directly 20 per centum or more of the total combined voting power of all classes of stock entitled to vote, of at least one of the other corporations. The term 'value' as used in this paragraph means, with respect to securities (other than those of majority-owned subsidiaries) for which market quotations are readily available, the market value of such securities; and with respect to other securities and assets, fair value as determined in good faith by the board of directors, except that in the case of securities of majority-owned subsidiaries which are investment companies such fair value shall not exceed market value or asset value, whichever is higher. All other terms used in the preceding provisions of this paragraph shall have the same meaning as when used in the Investment Company Act of 1940, or that Act as amended. A corporation which meets the foregoing requirements of this paragraph at the close of any quarter shall not lose its status as a regulated investment company because of a discrepancy during a subsequent quarter between the value of its various investments and such requirements unless such discrepancy exists immediately after the acquisition of any security or other property and is wholly or partly the result of such acquisition. A corporation which does not meet such requirements at the close of any quarter by reason of a discrepancy existing immediately after the acquisition of any security or other property which is wholly or partly the result of such acquisition during such quarter shall not lose its status for such quarter as a regulated investment company if such discrepancy is eliminated within thirty days after the close of such quarter and in such cases it shall be considered to have met such requirements at the close of such quarter for the purposes of applying the preceding sentence. A corporation which meets such requirements at the close of its first full quarter after the date of the enactment of the Revenue Act of 1942, or eliminates any discrepancy between the value of its investments and such requirements existing at the close of such quarter within thirty days thereafter, shall be deemed to have met such requirements at all previous times; and

"(4) It files with its return for the taxable year an election to be a regulated investment company or has made such election for a previous taxable year which began after December 31, 1941.

"Sec. 362. Tax on Regulated Investment Companies

"(a) Earnings and Profits—The earnings and profits of a regulated investment company for any taxable year beginning after December 31, 1941 (but not its accumulated earnings and profits) shall not be reduced by any amount which is not allowable as a deduction in computing its net income for such taxable year.

"(b) Method of Taxation of Companies and Shareholders—In the case of a regulated investment company which distributes during the taxable year to its shareholders as taxable dividends other than capital gain dividends an amount not less than 90 per centum of its net income for the taxable year computed without regard to net long-term and net short-term capital gains, and complies for such year with all rules and regulations prescribed by the Commissioner, with the approval of the Secretary, for the purpose of ascertaining the actual ownership of its outstanding stock:

"(1) Its Supplement Q net income shall be its adjusted net income (computed by excluding the excess, if any, of the net long-term capital gain over the net short-term capital loss, and without the net operating loss deduction provided in section 23 (s)) minus the basic surtax credit (excluding capital gain dividends) computed under section 27 (b) without the application of paragraphs (2) and (3). For the purposes of this paragraph, the net income shall be computed without regard to section 47 (c).

"(2) Its Supplement Q surtax net income shall be its net income (computed by excluding the excess, if any, of the net long-term capital gain over the net short-term capital loss, and without the net operating loss deduction provided in section 23 (s)) minus the dividends (other than capital gain dividends) paid during the taxable year increased by the consent dividends credit provided by section 28. For the purposes of this paragraph and paragraph (5) the amount of dividends paid shall be computed in the same manner as provided in subsections (d), (e), (f), (g), (h), and (i) of section 27 for the purpose of the basic surtax credit provided in section 27. For the purposes of this paragraph the net income shall be computed without regard to section 47 (c).

"(3) There shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 24 per centum of the amount thereof.

"(4) There shall be levied, collected, and paid for each taxable year upon its Supplement Q surtax net income a tax equal to 16 per centum of the amount thereof.

"(5) There shall be levied, collected, and paid for each taxable year a tax of 25 per centum of the excess, if any, of the net long-term capital gain over the sum of the net short-term capital loss and the amount of capital gain dividends paid during the year.

"(6) A capital gain dividend shall be treated by the shareholders as gains from the sale or exchange of capital assets held for more than six months.

"(7) A capital gain dividend means any dividend or part thereof which is designated by the company as a capital gain dividend in a written notice mailed to its shareholders at any time prior to the expiration of thirty days after close of its taxable year. If the aggregate amount so designated with respect to a taxable year of the company is greater than the excess of the net long-term capital gain over the net short-term capital loss of the taxable year, the portion of each distribution which shall be a capital gain dividend shall be only that proportion of the amount so designated which such excess of the net long-term capital gain over the net short-term capital loss bears to the aggregate amount so designated."

(b) Technical Amendments—

(1) Section 4 (relating to applicability of supplements) is amended by striking out "(j) Mutual investment companies,—Supplement Q" and inserting in lieu thereof "(j) Regulated investment companies, —Supplement Q."

(2) Section 14 (e) (relating to tax on corporations) is amended to read as follows:

"(e) Regulated Investment Companies—In the case of a corporation subject to the tax imposed by Supplement Q (relating to regulated investment companies), the tax shall be as provided in such supplement."

(c) Retroactive Provisions Relating to Earnings and Profits—For any taxable year beginning after December 31, 1935, and before January 1, 1942, of a corporation which filed an income tax return as a mutual investment company, the earnings and profits of such corporation for such taxable year (but not its accumulated earnings and profits) shall not be reduced by any amount which is not allowable as a deduction in computing its net income for such taxable year; except that this subsection shall not result in earnings and profits of the taxable year in excess of the aggregate of the distributions made by the corporation to its shareholders during the taxable year exclusive of the amounts, if any, which the corporation advised its shareholders to be nontaxable for Federal income tax purposes.

Sec. 171. Amendments To Supplement R

(a) Exchanges and Sales of Property—Section 371 (b) (relating to exchanges of property for property) is amended to read as follows:

"(b) Exchanges and Sales of Property by Corporations —No gain shall be recognized to a transferor corporation which is a registered holding company or an associate company of a registered holding company, if such corporation, in obedience to an order of the Securities and Exchange Commission transfers property in exchange for property, and such order recites that such exchange by the transferor corporation is necessary or appropriate to the integration or simplification of the holding company system of which the transferor corporation is a member. If any such property so received is non-exempt property, gain shall be recognized unless such nonexempt property or an amount equal to the fair market value of such property at the time of the transfer is, within 24 months of the transfer, under regulations prescribed by the Commissioner with the approval of the Secretary, and in accordance with an order of the Securities and Exchange Commission, expended for property other than nonexempt property or is invested as a contribution to the capital, or as paid-in surplus, of another corporation, and such order recites that such expenditure or investment by the transferor corporation is necessary or appropriate to the integration or simplification of the holding company system of which the transferor corporation is a member. If the fair market value of such nonexempt property at the time of the transfer exceeds the amount expended and the amount invested, as required in the second sentence of this paragraph, the gain, if any, to the extent of such excess, shall be recognized. Any gain, to the extent that it cannot be applied in reduction of basis under section 372 (a) (2) shall be recognized. For the purposes of this subsection, a distribution in cancellation or redemption (except a distribution having the effect of a dividend) of the whole or a part of the transferor's own stock (not acquired on the transfer) and a payment in complete or partial retirement or cancellation of securities representing indebtedness of the transferor or a complete or partial retirement or cancellation of such securities which is a part of the consideration for the transfer, shall be considered an expenditure for property other than nonexempt property, and if, on the transfer, a liability of the transferor is assumed, or property of the transferor is transferred subject to a liability, the amount of such liability shall be considered to be an expenditure by the transferor for property other than nonexempt property. This subsection shall not apply unless the transferor corporation consents, at such time and in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe, to the regulations prescribed under section 372 (a) (2) in effect at the time of filing its return for the taxable year in which the transfer occurs."

(b) Amendment of Section 371 (f)—Section 371 (f) is amended to read as follows:

"(f) Application of Section—The provisions of this section shall not apply to an exchange, expenditure, investment, distribution, or sale unless (1) the order of the Securities and Exchange Commission in obedience to which such exchange, expenditure, investment, distribution, or sale was made recites that such exchange, expenditure, investment, distribution, or sale is necessary or appropriate to effectuate the provisions of section 11 (b) of the Public Utility Holding Company Act of 1935, 49 Stat. 820 (U. S. C., title 15, sec. 79k (b)), (2) such order specifies and itemizes the stock and securities and other property which are ordered to be acquired, transferred, received, or sold upon such exchange, acquisition, expenditure, distribution, or sale, and, in the case of an investment, the investment to be made, and (3) such exchange, acquisition, expenditure, investment, distribution or sale was made in obedience to such order, and was completed within the time prescribed therefor."

(c) Amendment of Section 372 (a)—Section 372 (a) is amended—

(1) by inserting after "(a) Exchange Generally—" the following:

"(1) Exchanges subject to the Provisions of Section 371 (a).—";

(2) by striking out "371 (a), (b), or (e)," and inserting in lieu thereof "371 (a) or (e)", and by striking out "371 (a) or (b)" and inserting in lieu thereof "371 (a)"; and

(3) by inserting at the end thereof the following:

"(2) Exchanges subject to the Provisions of Section 371 (b)—The gain not recognized upon a transfer by reason of section 371 (b) shall be applied to reduce the basis for determining gain or loss on sale or exchange of the following categories of property in the hands of the transferor immediately after the transfer, and property acquired within 24 months after such transfer by an expenditure or investment to which section 371 (b) relates on account of the acquisition of which gain is not recognized under such subsection, in the following order:

"(1) Property of a character subject to the allowance for depreciation under section 23 (l);

"(2) Property (not described in paragraph (1)) with respect to which a deduction for amortization is allowable under section 23 (t);

"(3) Property with respect to which a deduction for depletion is allowable under section 23 (m) but not allowable under section 114 (b) (2), (3), or (4);

"(4) Stock and securities of corporations not members of the system group of which the transferor is a member (other than stock or securities of a corporation of which the transferor is a subsidiary);

"(5) Securities (other than stock) of corporations which are members of the system group of which the transferor is a member (other than securities of the transferor or of a corporation of which the transferor is a subsidiary);

"(6) Stock of corporations which are members of the system group of which the transferor is a member (other than stock of the transferor or of a corporation of which the transferor is a subsidiary);

"(7) All other remaining property of the transferor (other than stock or securities of the transferor or of a corporation of which the transferor is a subsidiary).

The manner and amount of the reduction to be applied to particular property within any of the categories described in paragraphs (1) to (7), inclusive, shall be determined under regulations prescribed by the Commissioner with the approval of the Secretary."

(d) Amendment of Section 373 (a)—Section 373 (a) is amended to read as follows:

"(a) The term 'order of the Securities and Exchange Commission' means an order issued after May 28, 1938, by the Securities and Exchange Commission which requires, authorizes, permits, or approves transactions described in such order to effectuate the provisions of section 11 (b) of the Public Utility Holding Company Act of 1935, 49 Stat. 820 (U. S. C., title 15, sec. 79k (b)), which has become or becomes final in accordance with law."

(e) Amendment of Section 373 (e) (1)—Section 373 (e) (1) is amended to read as follows:

"(1) Any consideration in the form of evidences of indebtedness owed by the transferor or a cancellation or assumption of debts or other liabilities of the transferor (including a continuance of encumbrances subject to which the property was transferred);".

(f) Amendment of Section 373 (e) (4)—Section 373 (e) (4) is amended to read as follows:

"(4) Stock or securities which were acquired from a registered holding company or an associate company of a registered holding company which acquired such stock or securities after February 28, 1938, unless such stock or securities (other than obligations described as nonexempt property in paragraph (1), (2), or (3)) were acquired in obedience to an order of the Securities and Exchange Commission or were acquired with the authorization or approval of the Securities and Exchange Commission under any section of the Public Utility Holding Company Act of 1935, 49 Stat. 820 (U. S. C., title 15, sec. 79k (b));".

(g) Technical Amendment — Section 371 (e) is amended by striking out "or (b)".

(h) Basis—Section 113 (a) (17) is amended to read as follows:

"(17) Property acquired in connection with exchanges and distributions in obedience to certain orders of the Securities and Exchange Commission—If the property was acquired in a taxable year beginning before January 1, 1942, in any manner described in section 372 prior to its amendment by the Revenue Act of 1942, the basis shall be that prescribed in such section (prior to its amendment by such Act) with respect to such property. If the property was acquired in a taxable year beginning after December 31, 1941, in any manner described in section 372 (other than subsection (a) (2)) after its amendment by such Act, the basis shall be that prescribed in such section (after its amendment by such Act) with respect to such property."

(i) Cross Reference—For exemption from stamp tax on certain transactions described in this section, see section 507 of this Act.

SEC. 172. Temporary Income Tax on Individuals

(a) The Internal Revenue Code is amended by inserting at the end of Chapter 1 the following new subchapter:

"Subchapter D—Victory Tax on Individuals

"PART I—RATE AND COMPUTATION OF TAX

"SEC 450. Imposition of Tax

"There shall be levied, collected, and paid for each taxable year beginning after December 31, 1942, a victory tax of 5 per centum upon the victory tax net income of every individual (other than a nonresident alien subject to the tax imposed by section 211 (a)).

"SEC. 451. Victory Tax Net Income

"(a) Definition—The term 'victory tax net income' in the case of any taxable year means (except as provided in subsection (c)) the gross income for such year (not including gain from the sale or exchange of capital assets as defined in section 117, or interest allowed as a credit against net income under section 25 (a) (1) and (2), or amounts received as compensation for injury or sickness which are included in gross income by reason of the exception contained in section 22 (b) (5)) minus the sum of the following deductions:

"(1) Expenses—The expenses allowable as a deduction by section 23(a) (1) and (2).

"(2) Interest—Interest allowable as a deduction by section 23 (b), if the indebtedness in respect of which such interest is allowed was incurred in carrying on any trade or business, or was incurred for the production or collection of income, or for the management, conservation, or maintenance of property held for the production of income.

"(3) Taxes—Amounts allowable as a deduction by section 23 (c), to the extent such amounts are paid or incurred in connection with the carrying on of a trade or business, or in connection with property used in the trade or business, or in connection with property used in the trade or business, or in connection with property held for the production of income.

"(4) Losses—Losses (other than losses from the sale or exchange of capital assets) allowable as a deduction under section 23 (e) (1), subject to the limitation provided in section 23 (h).

"(5) Bad debts—The amount allowable by section 23 (k) (1).

"(6) Depreciation—The amount allowable by section 23 (l).

"(7) Depletion—The amount allowable by section 23 (m) and (n).

"(8) Pension trusts—The amount allowable by section 23 (p).

"(9) Net operating loss—The net operating loss deduction allowable by section 23 (s).

"(10) Amortization—The amount allowable by section 23 (t).

"(11) Alimony—The amount allowable by section 23 (u).

"(12) Special deduction—The amount allowable by section 120.

"(13) Estates and trusts—In the case of an estate or trust, the amount allowable by subsection (a) of section 162 in addition to the amounts allowable by subsections (b) and (c) of such section.

"(b) Items Not Deductible—The deductions allowable by subsection (a) shall be subject to the limitations contained in section 24 and Supplement J and, in the case of nonresident aliens subject to the victory tax, shall be subject to the limitations contained in Supplement H.

"(c) Supplement T Taxpayer—If for any taxable year a taxpayer makes his return and pays his tax under Supplement T, the term 'victory tax net income' means the gross income for such year.

"(d) Basis for Determining Loss—The basis for determining the amount of deduction for losses sustained, to be allowed under paragraph (4) of subsection (a), and for bad debts, to be allowed under paragraph (5) of subsection (a), shall be the adjusted basis provided in section 113 (b) for determining the loss from the sale or other disposition of property.

"(e) Rule Applicable to Participants in a Common Trust Fund—In the case of a participant in a common trust fund, he shall in respect of the common trust fund income include in computing his victory tax net income, whether or not distributed and whether or not distributable, only his proportionate share of the ordinary net income or the ordinary net loss of the common trust fund, computed as provided in section 169 (d).

"(f) Rule Applicable to Partners—In the case of an individual carrying on business in partnership, he shall in respect of the partnership income include in computing his victory tax net income, whether or not distribution is made to him, only his distributive share of the ordinary net income or the ordinary net loss of the partnership, computed as provided in section 183 (b).

"Sec. 452. Specific Exemption

"In the case of every individual there shall be allowed as a credit against the victory tax net income a specific exemption of $624. In the case of a husband and wife filing a joint return under section 51 (b), if the victory tax net income of one spouse is less than $624, the aggregate specific exemption of both spouses shall be limited to $624 plus the victory tax net income of such spouse.

"Sec. 453. Credit Against Victory Tax

"(a) Allowance of Credit—There shall be allowed as a credit against the victory tax for each taxable year:

"(1) The amount paid by the taxpayer during the taxable year as premiums on life insurance, in force on September 1, 1942, upon his own life, or upon the life of his spouse, or upon the life of any dependent of the taxpayer specified in section 25 (b) (2) (A); and the amount paid during the taxable year as premiums on life insurance which is a renewal or conversion of such life insurance in force on September 1, 1942, to the extent that such premiums do not exceed the premiums payable on such life insurance in force on September 1, 1942.

"(2) The amount by which the smallest amount of indebtedness of the taxpayer outstanding at any time during the period beginning September 1, 1942, and ending with the close of the preceding taxable year, exceeds the amount of indebtedness of the taxpayer outstanding at the close of the taxable year.

"(3) The amount by which the amount of obligations of the United States owned by the taxpayer on the last day of the taxable year exceeds the greater of (A) the amount of such obligations owned by the taxpayer on December 31, 1942, or (B) the highest amount of such obligations owned by the taxpayer on the last day of any preceding taxable year ending after December 31, 1942. As used in this paragraph (i) the term 'owned by the taxpayer' shall include the amount of the obligations owned solely by the taxpayer and one-half of the amount of the obligations owned jointly by the taxpayer with one other person, but shall not include such obligations acquired by the taxpayer by gift, or inheritance, or otherwise than by purchase; (ii) the term 'obligations of the United States' means such obligations of the United States as the Secretary may by regulations prescribe, and as are purchased in such manner and under such terms and conditions as he may specify; and (iii) the term 'amount of obligations of the United States' means the amount paid for such obligations.

"(b) Limitation on Credit—The amount of such credit for the taxable year shall not exceed the amount of the post war credit or refund allowed by section 454 for such taxable year.

"Sec. 454. Post War Credit or Refund of Victory Tax

"(a) Allowance of Credit—As soon as practicable after date of cessation of hostilities in the present war (as defined in section 475 (b)), the following amount of the victory tax paid for each taxable year beginning after December 31, 1942, shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer:

"(1) In the case of a single person or a married person not living with husband or wife, 25 per centum of the victory tax or $500, whichever is the lesser.

"(2) In the case of the head of a family, 40 per centum of the victory tax or $1,000, whichever is the lesser. In the case of a married person living with husband or wife where separate returns are filed by each spouse, 40 per centum of the victory tax or $500, whichever is the lesser. In the case of a married person living with husband or wife where a separate return is filed by one spouse and no return is filed by the other spouse, or in the case of a husband and wife filing a joint return under section 51 (b), only one such credit shall be allowed and such credit shall not exceed 40 per centum of the victory tax or $1,000, whichever is the lesser.

"(3) For each dependent specified in section 25 (b), excluding as a dependent, in the case of a head of a family, one who would be excluded under section 25 (b) (2) (B), 2 per centum of the victory tax or $100, whichever is the lesser.

"(b) Change of Status—If for any taxable year the status of the taxpayer (other than a taxpayer who makes his return and pays his tax under Supplement T) with respect to his marital relationship or with respect to his dependents, changed during the taxable year, the amount of the credit or refund provided by this section for such taxable year shall be apportioned, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, in accordance with the number of months before and after such change. For the purpose of such apportionment a fractional part of a month shall be disregarded unless it amounts to more than half a month in which case it shall be considered as a month.

"(c) Status of Supplement T Taxpayer—If for any taxable year a taxpayer makes his return and pays his tax under Supplement T, for the purpose of the credit or refund provided by this section, his status for such year with respect to his marital relationship or with respect to his dependents shall be determined in accordance with the provisions of section 401.

"(d) Period of Limitation—No post war credit or refund of any part of the victory tax provided in this section shall be allowed or made after 7 years from the date of cessation of hostilities in the present war, unless claim for credit or refund is filed before the expiration of such date. No interest shall be allowed on such credits or refunds.

"(e) Limitation of Credit—The post war credit or refund allowed by this section shall be reduced by the amount of any credit allowed under section 453.

"SEC. 455. Returns

"(a) Individual Returns—Every individual having a gross income in excess of $624 for the taxable year, shall make, under regulations prescribed by the Commissioner with the approval of the Secretary, a return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury, stating specifically the items of his gross income and the deductions and credits allowed under this subchapter.

"(b) Fiduciary Returns—Every fiduciary (except a receiver appointed by authority of law in possession of part only of the property of an individual) shall make, under regulations prescribed by the Commissioner with the approval of the Secretary, a return under oath, for any individual, estate, or trust for which he acts, if the gross income of such individual, estate, or trust is in excess of $624 for the taxable year, stating specifically the items of gross income and the deductions and credits allowed under this subchapter. The provisions of section 142 (b) shall be applicable with respect to any return required to be made under this subsection.

"SEC. 456. Limitation on Tax

"The tax imposed by section 450 (victory tax), computed without regard to the credits provided in sections 453, 454, and 466 (e), shall not exceed the excess of 90 per centum of the net income of the taxpayer for the taxable year over the tax imposed by sections 11 (normal tax) and 12 (surtax), computed without regard to the credits provided in sections 31, 32, and 466 (e).

"PART II—COLLECTION OF TAX AT SOURCE ON WAGES

"SEC. 465. Definitions

"As used in this part—

"(a) Pay-Roll Period—The term 'pay-roll period' means a period for which a payment of wages is ordinarily made to the employee by his employer.

"(b) Wages—The term 'wages' means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid (1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay, (2) for agricultural labor (as defined in section 1426 (h)), (3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, (4) for casual labor not in the course of the employer's trade or business, (5) for services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such individual, partnership, or corporation is not engaged in trade or business in the United States, (6) for services as an employee of a foreign government or any wholly owned instrumentality thereof, or (7) for services performed as an employee while outside the United States (as defined in section 3797 (a) (9)), unless the major part of the services performed during the calendar year by such employee for his employer are performed within the United States.

"(c) Withholding Agent—The term 'withholding agent' means any person required to withhold, collect, and pay the tax under section 466.

"(d) Employee—The term 'employee' includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term 'employee' also includes an officer of a corporation.

"(e) Employer—The term 'employer' includes any person for whom an individual performs any service, of whatever nature, as the employee of such person.

"SEC. 466. Tax Collected at Source

"(a) Requirement of Withholding—There shall be withheld, collected, and paid upon all wages of every person, to the extent that such wages are includible in gross income, a tax equal to 5 per centum of the excess of each payment of such wages over the withholding deduction allowable under this part. This subsection and subsection (c) shall not be applicable in any case provided for in section 143, except in the case of wages paid to residents of a contiguous country who enter and leave the United States at frequent intervals.

"(b) Withholding Deduction—

"(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as a deduction against the wages paid for each pay-roll period, an amount determined in accordance with the following schedule:

Pay-roll period	Withholding deduction
Weekly	$12
Biweekly	24
Semimonthly	26
Monthly	52
Quarterly	156
Semiannually	312
Annually	624

"(2) If a pay-roll period in respect of any wages is less than one week, the excess of the aggregate of the wages paid during each calendar week over the deduction allowed by this subsection for a weekly pay-roll period shall be used in computing the tax required to be withheld.

"(3) If a pay-roll period in respect of any wages, or any other period with respect to which wages are paid, is not otherwise specifically provided for in this subsection, the deduction allowable against each payment of such wages shall be the deduction allowable in the case of an annual pay-roll period divided by 365 and multiplied by the number of days in such period, including Sundays and holidays.

"(4) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the deduction allowable against each payment of such wages shall be the deduction allowable in the case of an annual pay-roll period divided by 365 and multiplied by the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(5) The deduction allowable under this subsection in respect of any individual for any calendar year shall not exceed the total deduction which would have been allowable under paragraph (1) if the only pay-roll period of such individual had been an annual pay-roll period.

"(c) Wage Bracket Withholding—

"(1) At the election of the employer, if his pay-roll period with respect to an employee is weekly, biweekly, semimonthly, or monthly, there shall be withheld, collected, and paid upon the wages of such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be withheld under subsection (a):

—For weekly pay-roll period—			—For biweekly pay-roll period—		
If the wages are over	But not over	The amount of tax to be withheld shall be	If the wages are over	But not over	The amount of tax to be withheld shall be
$12	$16	$0.10	$24	$30	$0.10
16	20	.30	30	40	.50
20	24	.50	40	50	1.00
24	28	.70	50	60	1.50
28	32	.90	60	70	2.00
32	36	1.10	70	80	2.50
36	40	1.30	80	100	3.30
40	50	1.60	100	120	4.30
50	60	2.10	120	140	5.30
60	70	2.60	140	160	6.30
70	80	3.10	160	180	7.30
80	90	3.60	180	200	8.30
90	100	4.10	200	220	9.30
100	110	4.60	220	240	10.30
110	120	5.10	240	260	11.30
120	130	5.60	260	280	12.30
130	140	6.10	280	300	13.30
140	150	6.60	300	320	14.30
150	160	7.10	320	340	15.30
160	170	7.60	340	360	16.30
170	180	8.10	360	380	17.30
180	190	8.60	380	400	18.30
190	200	9.10	400	420	19.30
200	---	$9.40 plus 5% of the excess over $200.	420	440	20.30
			440	460	21.30
			460	480	22.30
			480	500	23.30
			500	---	$23.80 plus 5% of the excess over $500.

—For semimonthly pay-roll period—			—For monthly pay-roll period—		
If the wages are over	But not over	The amount of tax to be withheld shall be	If the wages are over	But not over	The amount of tax to be withheld shall be
$26	$30	$0.10	$52	$60	$0.20
30	40	.40	60	80	.90
40	50	.90	80	100	1.90
50	60	1.40	100	120	2.90
60	70	1.90	120	140	3.90
70	80	2.40	140	160	4.90
80	100	3.20	160	200	6.40
100	120	4.20	200	240	8.40
120	140	5.20	240	280	10.40
140	160	6.20	280	320	12.40
160	180	7.20	320	360	14.40
180	200	8.20	360	400	16.40
200	220	9.20	400	440	18.40
220	240	10.20	440	480	20.40
240	260	11.20	480	520	22.40
260	280	12.20	520	560	24.40
280	300	13.20	560	600	26.40
300	320	14.20	600	640	28.40
320	340	15.20	640	680	30.40
340	360	16.20	680	720	32.40
360	380	17.20	720	760	34.40
380	400	18.20	760	800	36.40
400	420	19.20	800	840	38.40
420	440	20.20	840	880	40.40
440	460	21.20	880	920	42.40
460	480	22.20	920	960	44.40
480	500	23.20	960	1,000	46.40
500	---	$23.70 plus 5% of the excess over $500.	1,000	---	$47.40 plus 5% of the excess over $1,000.

"(d) Tax Paid by Recipient—If any tax required under this part to be withheld and collected is paid by the recipient of the income, it shall not be re-collected from the withholding agent; but such payment shall in no case relieve the withholding agent from liability for interest or additions to the tax otherwise applicable in respect of the tax imposed by this chapter.

"(e) Credit for Tax Withheld at Source—The tax withheld and collected under this part shall not be allowed as a deduction either to the withholding agent or to the recipient of the income in computing net income; but the amount of the tax so withheld and collected shall be allowed as a credit against the tax imposed by this chapter upon the recipient of the income. Such credit shall be allowed first against the victory tax imposed by section 450 (adjusted for the credit allowed by section 453) and the excess of such credit, if any, over the victory tax, so adjusted, shall be allowed against the tax imposed by sections 11 and 12 or section 400, as the case may be.

"(f) Refunds—Where there has been an overpayment of tax under this part, any refund or credit made under the provisions of section 322 shall be made to the recipient of the income; but, in any case in which such tax was not so withheld by the withholding agent, such refund or credit shall be made to the withholding agent.

"(g) Included and Excluded Wages—If the remuneration paid by an employer to an employee for services performed during one-half or more of any pay-roll period constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such pay-roll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"SEC. 467. Withholding Agent

"(a) Collection of Tax—The tax required to be withheld by section 466 shall be collected by the person having control of the payment of such wages by deducting such amount from such wages as and when paid. As used in this subsection, the term 'person' includes officers and employees of the United States, or of a State, Territory, or any political subdivision thereof, or of the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

"(b) Indemnification of Withholding Agent—Every person required to withhold and collect any tax under this part shall be liable for the payment of such tax, and shall not be liable to any person for the amount of any such payment.

"(c) Adjustments—If more or less than the correct amount of tax is withheld or paid for any quarter in any calendar year, proper adjustments, with respect both to the tax withheld or the tax paid, may be made in any subsequent quarter of such calendar year, without interest, in such manner and at such times as may be prescribed by regulations made by the Commissioner, with the approval of the Secretary.

"SEC. 468. Return and Payment by Withholding Agent

"In lieu of the time prescribed in sections 53 and 56 for the return and payment of the tax imposed by this chapter, every person required to withhold and collect any tax under section 466 shall make a return and pay such tax on or before the last day of the month following the close of each quarter of each calendar year. Every such person shall include with the final return for the calendar year a duplicate copy of each receipt required to be furnished under section 469. Every such person shall also keep such records and render under oath such statements with respect to the tax so withheld and collected as may be required under regulations prescribed by the Commissioner, with the approval of the Secretary.

"SEC. 469. Receipts

"(a) Wages—Every employer required to withhold and collect a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the period covered by the statement, the wages paid by the employer to such employee during such period, and the amount of the tax withheld and collected under this part in respect of such wages.

"(b) Regulations—The statements required to be furnished by this section shall be in lieu of the return required to be furnished by the employer with respect to his employee under section 147 and shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

"(c) Extension of Time—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished to employees on the day on which the last payment of wages is made.

"SEC. 470. Penalties

"(a) Penalties for Fraudulent Receipt or Failure to Furnish Receipt—In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who wilfully furnishes a false or fraudulent receipt, or who wilfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than $1,000, or imprisoned for not more than one year, or both.

"(b) Additional Penalty—In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who wilfully furnishes a false or fraudulent receipt, or who wilfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than $50.

"(c) Failure of Withholding Agent to File Return—In case of any failure to make and file return required by this part, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to wilful neglect, the addition to the tax provided for in section 291 shall not be less than $5.

"PART III—EXPIRATION DATE AND DEFINITIONS

"SEC. 475. Definitions

"(a) Net Income—When used in this title, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof, the term 'net income' shall be construed to mean 'victory tax net income' for the purposes of this subchapter.

"(b) Date of Cessation of Hostilities in the Present War—As used in this subchapter, the term 'date of cessation of hostilities in the present war' means the date on which hostilities in the present war between the United States and the governments of Germany, Japan, and Italy cease, as fixed by proclamation of the President or by concurrent resolution of the two Houses of Congress, whichever date is earlier, or in case the hostilities between the United States and such governments do not cease at the same time, such date as may be so fixed as an appropriate date for the purposes of this subchapter.

"SEC. 476. Expiration Date

"The taxes imposed by this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war."

(b) Classification of Provisions—Section 3 is amended by adding at the end thereof the following new paragraph:

"Subchapter D—Victory tax on individuals, divided into parts and sections."

(c) Rates of Tax on Citizens of Certain Foreign Countries—Section 103 is amended by striking out "and 362" and inserting "362, and 450"; and by striking out "or 362" and inserting "362, and 450."

(d) Foreign Tax Credit—

Section 131 is further amended by adding at the end thereof the following new subsection:

"(i) Tax Withheld at Source—For the purposes of this supplement the tax imposed by this chapter shall be the tax computed without regard to the credit provided in section 32 and section 466 (e)."

(e) Refunds and Credits—

(1) Section 322 (a) is amended to read as follows:

"(a) Authorization—

"(1) Overpayment—Where there has been an overpayment of any tax imposed by this chapter, the amount of such overpayment shall be credited against any income, war-profits, or excess-profits tax or installment thereof then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer.

"(2) Excessive withholding—Where the amount of the tax withheld at the source under Part II of Subchapter D exceeds the tax imposed by this chapter (after allowance of the credits provided by sections 31, 32, and 453), the amount of such excess shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance thereof shall be refunded immediately to the taxpayer."

(2) Section 322 (e) is amended to read as follows:

"(e) Presumption as to Date of Payment—For the purposes of this section, any tax actually withheld and collected at the source under Part II of Subchapter D shall, in respect of the recipient of the income, be deemed to have been paid by him on the fifteeth day of the third month following the close of his taxable year in which such tax was so withheld and collected; except that in the case of a nonresident alien individual, it shall be deemed to have been paid by him on the fifteenth day of the sixth month following the close of his taxable year.

"(f) Tax Withheld at Source—For refund or credit in case of withholding agent, see sections 143 (f) and 466 (f)."

(f) Cross References—

(1) Payment of tax—Section 56 (f) is amended to read as follows:

"(f) Tax Withheld at Source—For requirement of withholding tax at source, see sections 143, 144, and Part II of Subchapter D."

(2) Credits against tax—The Internal Revenue Code is amended by adding after section 33 the following new sections:

"SEC. 34. Credits Against Victory Tax

"For credits against victory tax, see sections 453, 454, and 466 (e).

"SEC. 35. Credit for Tax Withheld on Wages

"For credit against the tax for tax withheld on wages, see section 466 (e)."

(3) Penalties—Section 145 (d) is amended by inserting "(1)" before the first paragraph and by adding the following new paragraph:

"(2) For additional penalties for fraudulent receipts or failure to furnish receipts required by section 469, see section 470."

(4) Minimum penalty for failure to file return—Section 291 is amended by inserting "(a)" before the first paragraph and by adding the following new subsection:

"(b) For minimum addition to the tax for failure of withholding agent to make and file return required by Part II of Subchapter D, see section 470 (c)."

(5) Interest on overpayments—Section 3771 is amended by adding at the end thereof the following new subsection:

"(e) Tax Withheld at Source—For date of payment in respect of tax withheld at source under Part II of Subchapter D, see section 322 (e)."

(g) Effective Date—The provisions of this section shall take effect on January 1, 1943, and shall be applicable to all wages (as defined in Part II of Subchapter D) paid on or after such date.

PART II—PERSONAL HOLDING COMPANIES

SEC. 181. Rates of Personal Holding Company Tax

The rate schedule of section 500 (relating to tax on personal holding companies) is amended to read as follows:

"(1) 75 per centum of the amount thereof not in excess of $2,000; plus

"(2) 85 per centum of the amount thereof in excess of $2.000."

SEC. 182. Exemption of Certain Corporations from Personal Holding Company Tax

(a) Exemption of Certain Loan and Investment Corporations—Section 501 (b) (relating to exemptions from personal holding company tax) is amended to read as follows:

"(b) Exceptions—The term 'personal holding company' does not include—

"(1) A corporation exempt from taxation under section 101.

"(2) A bank as defined in section 104.

"(3) A life insurance company.

"(4) A surety company.

"(5) A foreign personal holding company as defined in section 331.

"(6) A licensed personal finance company under State supervision, at least 80 per centum of the gross income of which is lawful interest received from individuals each of whose indebtedness to such company did not at any time during the taxable year exceed $300 in principal amount, if such interest is not payable in advance or compounded and is computed only on unpaid balances.

"(7) A loan or investment corporation, a substantial part of the business of which consists of receiving funds not subject to check and evidenced by installment or fully paid certificates of indebtedness or investment, and making loans and discounts, and the loans to a person who is a shareholder in such corporation during such taxable year by or for whom 10 per centum or more in value of its outstanding stock is owned directly or indirectly (including in the case of an individual, stock owned by the members of his family as defined in section 503 (a) (2)) outstanding at any time during such year do not exceed $5,000 in principal amount."

(b) Taxable Years to Which Amendment Applicable—The amendment made by this section shall be applicable to taxable years beginning after December 31, 1941, except that if a taxpayer, within the time and in the manner and subject to such regulations as the Commissioner with the approval of the Secretary prescribes, elects to have such amendments apply retroactively to all taxable years of the taxpayer beginning after December 31, 1938, and not beginning after December 31, 1941, such amendments shall be applicable to such taxable years.

SEC. 183. Consolidated Income

Section 501 (c) is amended by inserting at the end thereof the following: "The preceding sentence shall apply only if the common parent corporation is a common parent of an affiliated group of railroad corporations which would be eligible to file consolidated returns under section 141 prior to its amendment by the Revenue Act of 1942.

SEC. 184. Computation of Undistributed Subchapter a Net Income

(a) Section 504 (relating to deductions from subchapter A net income) is amended by adding at the end thereof the following:

"(d) Amounts distributed before January 1, 1944, in redemption of preferred stock outstanding before January 1, 1934 (including any preferred stock issued after January 1, 1934, in lieu of such previously outstanding preferred stock) if such distributions are made by a corporation the aggregate of whose gross sales and gross receipts arising from manufacturing, commercial, processing, and service operations during the four-year period immediately before January 1, 1934, exceeded the aggregate of its gross receipts from dividends, interest, royalties, annuities, and gains from the sale or exchange of stock or securities during such period."

(b) The amendment made by this section shall be applicable to taxable years beginning after December 31, 1940.

SEC. 185. Deficiency Dividends of Personal Holding Companies

Section 506 (relating to credits and refunds in case of deficiency dividends) is amended by inserting at the end thereof the following new subsections:

"(g) Rate for Taxable Years 1939, 1940, and 1941—If the deficiency is established or determined for a taxable year which begins after December 31, 1939, and does not begin after December 31, 1941, the rates under subsections (a) and (b) used in determining the amount of the credit or refund shall be 71½ per centum in lieu of 65 per centum and 82½ per centum in lieu of 75 per centum.

"(h) Rate for Taxable Years After 1941—If the deficiency is established or determined for a taxable year which begins after December 31, 1941, the rates under subsections (a) and (b) used in determining the amount of the credit or refund shall be 75 per centum in lieu of 65 per centum and 85 per centum in lieu of 75 per centum."

SEC. 186. Distributions by Personal Holding Companies

(a) Definition of Dividend—

(1) Amendment to Internal Revenue Code—Section 115 (a) of the Internal Revenue Code (relating to definition of dividend) is amended by inserting at the end thereof the following new sentence: "Such term also means any distribution to its shareholders, whether in money or in other property, made by a corporation which, under the law applicable to the taxable year in which the distribution is made, is a personal holding company, or which, for the taxable year in respect of which the distribution is made under section 504 (c) or section 506 or a corresponding provision of a prior income tax law, is a personal holding company under the law applicable to such taxable year."

(2) Amendment to Revenue Act of 1938—Section 115 (a) of the Revenue Act of 1938 (relating to definition of dividend) is amended by inserting at the end thereof the following new sentence: "Such term also means any distribution to its shareholders, whether in money or in other property, made by a corporation which, under the law applicable to the taxable year in which the distribution is made, is a personal holding company, or which, for the taxable year in respect of which the distribution is made under section 405 (c) or section 407 is a personal holding company under the law applicable to such taxable year."

(3) Amendment to Revenue Act of 1936—Section 115 (a) of the Revenue Act of 1936 (relating to definition of dividend) is amended by inserting at the end thereof the following new sentence: "Such term also means any distribution to its shareholders, whether in money or in other property, made by a corporation in a taxable year of the corporation beginning after December 31, 1936, which, for such a year, is a personal holding company."

(b) Personal Holding Company Dividends Not Applied in Reduction of Basis—Section 115 (b) (relating to source of distributions) of the Internal Revenue Code, the Revenue Act of 1938, and the Revenue Act of 1936, are amended by inserting at the end of such subsection the following new sentence: "The preceding sentence shall not apply to a distribution which is a dividend within the meaning of the last sentence of subsection (a)."

(c) Dividends Paid After Close of Taxable Year—Section 504 (c) of the Internal Revenue Code and section 405 (c) of the Revenue Act of 1938 (relating to credit for dividends paid after close of taxable year) are amended as follows:

(1) By amending subsection (c) (1) and (2) to read as follows:

"(c) Dividends paid after the close of the taxable year and before the 15th day of the third month following the close of the taxable year, if claimed under this subsection in the return, but only to the extent to which such dividends would have been includible in the computation of the basic surtax credit for the taxable year if distributed during such taxable year; but the amount allowed under this subsection shall not exceed either:

"(1) The undistributed Subchapter A net income for the taxable year computed without regard to this subsection; or";

(2) And by striking out "(3)" and inserting in lieu thereof "(2)".

(d) Deficiency Dividends—

(1) Amendment of Internal Revenue Code—The first sentence of section 506 (c) (1) is amended to read as follows: "For the purposes of this subchapter, the term 'deficiency dividends' means the amount of the dividends paid, on or after the date of the closing agreement or on or after the date the decision of the Board or the judgment becomes final, as the case may be, and prior to filing claim under subsection (d), which would have been includible in the computation of the basic surtax credit for the taxable year with respect to which the deficiency was asserted if distributed during such taxable year."

(2) Amendment of Revenue Act of 1938—The first sentence of section 407 (c) (1) of the Revenue Act of 1938 is amended to read as follows: "For the purposes of this title, the term 'deficiency dividends' means the amount of the dividends paid, on or after the date of the closing agreement or on or after the date the decision of the Board or the judgment becomes final, as the case may be, and prior to filing claim under subsection (d), which would have been includible in the computation of the basic surtax credit for the taxable year with respect to which the deficiency was asserted if distributed during such taxable year."

(3) Amendment of Revenue Act of 1936—Title 1A of the Revenue Act of 1936, as amended (relating to surtax on personal holding companies), is further amended by adding at the end thereof the following new section:

"SEC. 361. Deficiency Dividends

"The provisions of section 407 of the Revenue Act of 1938, as amended by section 185 (d) (2) of the Revenue Act of 1942 shall be applicable with respect to a deficiency established or determined under this title for any taxable year beginning after December 31, 1936, and before January 1, 1938."

(e) Consent Dividends—

(1) Section 28 (d) (1) of the Internal Revenue Code and section 28 (d) (1) of the Revenue Act of 1938 are amended to read as follows:

"(1) Unless it files (in accordance with regulations prescribed by the Commissioner with the approval of the Secretary) with its return for such year, or within one year after the date of enactment of the Revenue Act of 1942, in the case of a corporation which is a personal holding company for the taxable year with respect to which it claims the benefits of this section, signed consents made under oath by persons who were shareholders, on the last day of the taxable year, of the corporation, of any class of consent stock; and"

(2) For the purposes of this section, section 28 of the Revenue Act of 1938, as amended by this subsection, shall be applicable with respect to a corporation for any taxable year beginning after December 31, 1936, and before January 1, 1938, for which it was, under the applicable law, a personal holding company, and to its shareholders. Such section 28 shall be applied as though the phrase "basic surtax credit" in subsection (c) thereof were "dividends paid credit."

(f) Effective Date of Amendments—The amendments made by subsections (a) to (e), inclusive, shall be effective as of the date of enactment of the laws amended thereby.

(g) Retroactive Application—The amendments made by subsections (a) to (d), inclusive, shall not apply with respect to any distribution, which is a dividend solely by reason of the last sentence of section 115 (a) of the applicable revenue law, made prior to the date of enactment of this Act by a corporation which, under the law applicable to the taxable year in which the distribution is made, is a personal holding company, or which, for the taxable year in respect of which it is made under section 504 (c) or section 506 or a corresponding provision of a prior income tax law, is a personal holding company under the law applicable to such taxable year, unless—

(1) The corporation (under regulations prescribed by the Commissioner with the approval of the Secretary) files, within one year after the date of the enactment of this Act, a claim for the benefit of this section on account of such distribution;

(2) Such claim is accompanied by signed consents made under oath by each person to whom the corporation made such distribution agreeing to the inclusion of the amount of such distribution to him in his gross income as a taxable dividend. If any such person is no longer in existence or is under disability then the consent may be made by his legal representative; and

(3) Each such consent filed is accompanied by cash, or such other medium of payment as the Commissioner may by regulations authorize, in an amount equal to the amount that would be required by section 143 (b) or 144 of the applicable revenue law to be deducted and withheld by the corporation if the amount of the distribution to the shareholder had been paid to the shareholder in cash as a dividend. The amount accompanying such consent shall be credited against the tax under the applicable revenue law imposed by section 211 (a) or 231 (a) upon the shareholder.

(h) Overpayments and Deficiencies—If the refund or credit of any overpayment for any taxable year, to the extent resulting from the application of subsections (e) and (g) of this section is prevented on the date of the enactment of this Act or within one year from such date, then, notwithstanding any other provision of law or rule of law (other than this subsection and other than section 3761 of the Internal Revenue Code or section 3229 of the Revised Statutes, or such section as amended by section 815 of the Revenue Act of 1938, relating to compromises), such overpayment shall be refunded or credited in the same manner as in the case of an income tax erroneously collected if claim therefor is filed within one year from the date of the enactment of this Act. If the assessment or collection of any deficiency for any taxable year, to the extent resulting from the application of subsections (e) and (g) of this section, is prevented on the date of the filing of the shareholders' consents referred to in subsection (e) or on the date of filing of the claim referred to in subsection (g) (1) or within one year from the date of filing of such consents or claim, as the case may be, then, notwithstanding any other provision of law or rule of law, such deficiency shall be assessed and collected if assessment is made within one year from the date of the filing of such consents or claim, as the case may be. The failure of a shareholder to include in his gross income for the proper taxable year the amount specified in the consent made by him referred to in subsection (g) (2) shall have the same effect, with respect to the deficiency resulting therefrom, as is provided in section 272 (f) of the applicable revenue law with respect to a deficiency resulting from a mathematical error appearing on the face of the return.

(i) Additional Credit or Refund for Prior Years—Section 506 of the Internal Revenue Code (relating to deficiency dividends) is amended by adding at the end thereof the following new subsection:

"(j) Additional Credit or Refund for Prior Taxable Year—

"(1) Election to have a certain dividend considered as a deficiency dividend—If a corporation was a personal holding company for any taxable year beginning after December 31, 1936, and prior to January 1, 1942, and its adjusted net income, Title 1A net income or Subchapter A net income, in the case of a tax imposed by Titles 1A of the Revenue Acts of 1936 and 1938, or Subchapter A of the Internal Revenue Code, as the case may be, exceeds the sum of (A) the earnings and profits accumulated after February 28, 1913, as of the beginning of the taxable year and (B) the earnings and profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year) and if prior to the date of enactment of the Revenue Act of 1942, the corporation paid all or any portion of the tax imposed by Title 1A or Subchapter A for any such taxable year or years then the corporation may elect, within six months after the date of enactment of the Revenue Act of 1942 to have the amount of a dividend paid within such six-month period considered as a deficiency dividend. Such election must be made by the filing of a claim (under regulations prescribed by the Commissioner with the approval of the Secretary) within such six-month period and after the payment of the dividend, specifying the taxable year or years with respect to which such dividend applies, setting forth the amount of the dividend to be apportioned to each taxable year, and claiming the benefit of this subsection by reason of such dividend.

"(2) Effect of election—If the corporation exercises the election authorized under paragraph (1) of this subsection—

"(A) The credit or refund shall be computed, and credited or refunded without interest, as provided in subsection (b) and at the rates provided therein or in subsection (g), as the case may be, but shall be subject to the limitations in subsection (f). In any case where a dividend is apportioned to more than one taxable year the credit or refund shall be determined for each taxable year on the basis of the amount of the dividend apportioned thereto; and

"(B) The dividends paid credit for the taxable year in which paid and for a prior taxable year or years shall be determined as provided in subsection (c) (2)."

TITLE II—EXCESS PROFITS TAX

PART I—EXCESS PROFITS TAX AMENDMENTS

SEC. 201. Taxable Years To Which Amendments Applicable

Except as otherwise expressly provided, the amendments made by this title shall be applicable only with respect to taxable years beginning after December 31, 1941.

SEC. 202. Rate of Excess-Profits Tax

Section 710 (a) (1) (relating to rate of excess-profits tax) is amended to read as follows:

"(1) General Rule—There shall be levied, collected, and paid, for each taxable year, upon the adjusted excess-profits net income, as defined in subsection (b), of every corporation (except a corportion exempt under section 727) a tax equal to whichever of the following amounts is the lesser:

"(A) 90 per centum of the adjusted excess-profits net income, or

"(B) an amount which when added to the tax imposed for the taxable year under Chapter 1 (other than section 102) equals 80 per centum of the corporation surtax net income, computed under section 15 or Supplement G, as the case may be, but without regard to the credit provided in section 26 (e) (relating to income subject to the tax imposed by this subchapter)."

SEC. 203. Certain Fiscal Year Taxpayers

(a) Computation of Tax for Year Ending in 1942—Section 710 (a) (relating to imposition of excess-profits tax) is amended by inserting at the end thereof the following new paragraph:

"(3) Taxable years beginning in 1941 and ending after June 30, 1942—In the case of a taxable year beginning in 1941 and ending after June 30, 1942, the tax shall be an amount equal to the sum of—

"(A) that portion of a tentative tax under this subchapter, computed without regard to section 203 of the Revenue Act of 1942, which the number of days in such taxable year before July 1, 1942, bears to the total number of days in such taxable year, plus

"(B) that portion of a tentative tax under this subchapter, computed as if the amendments made by sections 105 (c), 105 (d), 202, and 206 of the Revenue Act of 1942 were applicable to such taxable year, which the number of days in such taxable year after June 30, 1942, bears to the total number of days in such taxable year."

(b) Taxable Years to Which Amendment Applicable—The amendment made by this section shall be applicable to taxable years beginning in 1941 and ending after June 30, 1942.

SEC. 204. Two-Year Carry-Back of Unused Excess Profits Credit

(a) Technical Amendment—Section 710 (b) (3), relating to the deduction of the excess profits credit carry-over, is amended by striking out "excess profits credit carry-over" and by inserting in lieu thereof "unused excess profits credit adjustment."

(b) Carry-back of Unused Credit—Section 710 (c) (relating to the determination of the excess profits credit carry-over) is amended to read as follows:

"(c) Unused Excess Profits Credit Adjustment—

"(1) Computation of unused excess profits credit adjustment—The unused excess profits credit adjustment for any taxable year shall be the aggregate of the unused excess profits credit carry-overs and unused excess profits credit carry-backs to such taxable year.

"(2) Definition of unused excess profits credit—The term 'unused excess profits credit' means the excess, if any, of the excess profits credit for any taxable year beginning after December 31, 1939, over the excess profits net income for such taxable year, computed on the basis of the excess profits credit applicable to such taxable year. For such purpose the excess profits credit and the excess profits net income for any taxable year beginning in 1940 shall be computed under the law applicable to taxable years beginning in 1941. The unused excess profits credit for a taxable year of less than twelve months shall be an amount which is such part of the unused excess profits credit determined under the first sentence of this paragraph as the number of days in the taxable year is of the number of days in the twelve months ending with the close of the taxable year.

"(3) Amount of unused excess profits credit carry-back and carry-over—

"(A) Unused Excess Profits Credit Carry-Back—If for any taxable year beginning after December 31, 1941, the taxpayer has an unused excess profits credit, such unused excess profits credit shall be an unused excess profits credit carry-back for each of the two preceding taxable years, except that the carry-back in the case of the first preceding taxable year shall be the excess, if any, of the amount of such unused excess profits credit over the adjusted excess profits net income for the second preceding taxable year computed for such taxable year (i) by determining the unused excess profits credit adjustment without regard to such unused excess profits credit, and (ii) without the deduction of the specific exemption provided in subsection (b) (1).

"(B) Unused Excess Profits Credit Carry-Over—If for any taxable year beginning after December 31, 1939, the tax-payer has an unused excess profits credit, such unused excess profits credit shall be an unused excess profits credit carry-over for each of the two succeeding taxable years, except that the carry-over in the case of the second succeeding taxable year shall be the excess, if any, of the amount of such unused excess profits credit over the adjusted excess profits net income for the intervening taxable year computed for such intervening taxable year (i) by determining the unused excess profits credit adjustment without regard to such unused excess profits credit or to any unused excess profits credit carry-back, and (ii) without the deduction of the specific exemption provided in subsection (b) (1). For the purposes of the preceding sentence, the unused excess profits credit for any taxable year beginning after December 31, 1941, shall first be reduced by the sum of the adjusted excess profits net income for each of the two preceding taxable years (computed for each such preceding taxable year (i) by determining the unused excess profits credit adjustment without regard to such unused excess profits credit or to the unused excess profits credit for the succeeding taxable year, and (ii) without the deduction of the specific exemption provided in subsection (b) (1)).

"(4) No carry-back to year prior to 1941—As used in this subsection, the term 'preceding taxable year' and the term 'preceding taxable years' do not include any taxable year beginning prior to January 1, 1941."

(c) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable only to taxable years beginning after December 31, 1940.

SEC. 205. Computation of Excess Profits and Invested Capital of Insurance Companies

(a) Section 710 (a) (relating to imposition of excess profits tax) is amended by inserting at the end thereof the following new paragraph:

"(4) Mutual insurance companies—In the case of a mutual insurance company other than life or marine, if the gross amount received from interest, dividends, rents, and premiums (including deposits and assessments) is over $75,000 but less than $125,000, the tax imposed under this section shall be an amount which bears the same proportion to the amount ascertained under this section, computed without reference to this paragraph, as the excess over $75,000 of such gross amount received bears to $50,000."

(b) Section 711 (a) (1) (relating to excess profits credit computed under income credit) is amended by inserting at the end thereof the following new paragraph:

"(H) Life Insurance Companies—In the case of a life insurance company, there shall be deducted from the normal tax net income, the excess of (1) the product of (i) the figure determined and proclaimed under section 202 (b) and (ii) the excess profits net income computed without regard to this subparagraph, over (2) the adjustment for certain reserves provided in section 202 (c)."

(c) Section 711 (a) (2) (relating to the excess profits credit computed under invested capital credit) is amended by inserting at the end thereof the following new subparagraph:

"(J) In the case of a life insurance company, there shall be deducted from the normal tax net income, 50 per centum of the excess of (1) the product of (i) the figure determined and proclaimed under section 202 (b) and (ii) the excess profits net income computed without regard to this subparagraph, over (2) the adjustment for certain reserves provided in section 202 (c)."

(d) Section 718 (relating to equity invested capital) is amended by inserting at the end thereof the following new subsection:

"(f) The reserves of an insurance company shall not be included in computing equity invested capital under this section but shall be treated as borrowed capital as provided in section 719."

(e) Section 719 (a) (relating to borrowed capital) is amended by striking out the period at the end thereof and inserting a comma and the word "plus" and a comma and the following new paragraphs:

"(3) In the case of an insurance company, the mean of the amount of the prorata unearned premiums determined at the beginning and end of the taxable year, plus,

"(4) In the case of a life insurance company, the mean of the amount of the adjusted reserves, and the mean of the amount of the reserves on insurance or annuity contracts (or contracts arising out of insurance or annuity contracts) which do not involve, at the time with reference to which the computation was made, life, health, or accident contingencies, determined at the beginning and end of the taxable year."

(f) Section 723 (relating to equity invested capital in special cases) is amended by designating the present section as subsection "(a)" and by adding a new subsection to read as follows:

"(b) The equity invested capital of mutual insurance companies other than life, or marine, shall be the mean of the surplus, plus 50 per centum of the mean of all reserves required by law, both surplus and reserves being determined at the beginning and end of the taxable year. The surplus shall include all of the assets of the company other than reserves required by law."

(g) Specific Exemption and Returns of Interinsurers and Reciprocal Underwriters—

(1) Specific exemption—Section 710 (b) (1) is amended by inserting before the semicolon at the end thereof a comma and the following: "and in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter a specific exemption of $50,000."

(2) Returns—Section 729 (b) (2) is amended by inserting before the period at the end thereof the following: "or, in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter, is not greater than $50,000."

SEC. 206. Technical Amendments Made Necessary by Change in Base for Corporation Tax

(a) Disallowance of Credit in Computing Excess-Profits Net Income—

(1) Section 711 (a) (1) (A) (relating to adjustment for taxes in computing excess profits net income under the income credit) is amended to read as follows:

"(A) Income Subject to Excess Profits Tax—In computing such normal-tax net income the credit provided in section 26 (e) (relating to income subject to the tax imposed by this subchapter) shall not be allowed;".

(2) Section 711 (a) (2) (C) (relating to adjustment for taxes in computing excess-profits net income under the invested capital credit) is amended to read as follows:

"(C) Income Subject to Excess Profits Tax—In computing such normal-tax net income the credit provided in section 26 (e) (relating to income subject to the tax imposed by this subchapter) shall not be allowed;".

(b) Rules for Computation of Charitable, Etc., Deductions in Computing Excess Profits Net Income Repealed—

(1) Section 711 (a) (1) (G) (relating to the deduction for charitable contributions, etc., in computing excess profits net income under the income credit) is repealed.

(2) Section 711 (a) (2) (I) (relating to the deduction for charitable contributions, etc., in computing excess profits net income under the invested capital method) is repealed.

SEC. 207. Capital Gains and Losses in the Computation of Excess Profits Net Income

(a) Excess Profits Credit Computed Under Income Credit—Section 711 (a) (1) (B) is amended to read as follows:

"(B) Gains and Losses From Sales or Exchanges of Capital Assets—There shall be excluded gains and losses from sales or exchanges of capital assets held for more than six months.

(b) Retirement of Long-Term Bonds—Section 711 (a) (1) (C) is amended by striking out "eighteen months" and inserting in lieu thereof "six months."

(c) Excess Profits Credit Computed Under Invested Capital Credit—Section 711 (a) (2) (D) is amended to read as follows:

"(D) Gains and Losses From Sales or Exchanges of Capital Assets—There shall be excluded gains and losses from sales or exchanges of capital assets held for more than six months."

(d) Retirement of Long-Term Bonds—Section 711 (a) (2) (E) is amended by striking out "eighteen months" and inserting in lieu thereof "6 months."

(e) Taxable Years in Base Period—Section 711 (b) (1) (B) is amended to read as follows:

"(B) Gains and Losses From Sales or Exchanges of Capital Assets—There shall be excluded gains and losses from sales or exchanges of capital assets held for more than 6 months."

(f) Retirement of Long-Term Bonds—Section 711 (b) (1) (C) is amended by striking out "eighteen months" and inserting in lieu thereof "6 months."

(g) Capital Gains and Losses—Section 711 (b) (2) is amended to read as follows:

"(2) Capital gains and losses—For the purposes of this subsection the normal-tax net income and the special-class net income referred to in paragraph (1) shall be computed as if section 23 (g) (2), section 23 (k) (2), and section 117 were part of the revenue law applicable to the taxable year the excess profits net income of which is being computed, with the exception that the capital loss carry-over provided in subsection (e) (1) of section 117 shall be applicable to net capital losses for taxable years beginning after December 31, 1934. Such exception shall not apply for the purposes of computing the tax under this subchapter for any taxable year beginning before January 1, 1943."

(h) Inadmissible Asset Ratio—Section 720 (c) is amended by striking out "short-term capital gain" and inserting in lieu thereof "gain from the sale or exchange of a capital asset held for not more than six months."

SEC. 208. Retroactive Treatment of Involuntary Conversions as Capital Transactions

Effective with respect to taxable years beginning after December 31, 1939, but not beginning after December 31, 1941, the second sentence of section 711 (a) (1) (B), section 711 (a) (2) (D), and section 711 (b) (1) (B) is amended to read as follows: "There shall be excluded the excess of the recognized gains from the sale, exchange, or involuntary conversion (as a result of destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation or the threat or imminence thereof) of property held for more than eighteen months which is of a character which is subject to the allowance for depreciation provided in section 23 (1) over the recognized losses from the sale, exchange, or involuntary conversion of such property. For the purposes of this subparagraph, section 117 (h) (1) and (2) shall apply in determining the period for which the taxpayer has held property which is of a character which is subject to the allowance for depreciation provided in section 23 (1)."

SEC. 209. Nontaxable Income from Exempt Excess Output of Mining and Timber Operations and From Bonus Income of Mines, Etc.

(a) Income Credit—Section 711 (a) (1) (relating to excess profits credit computed under income credit) is amended by inserting at the end thereof the following new subparagraph:

"(I) Nontaxable Income of Certain Industries With Depletable Resources—In the case of a producer of minerals, or a producer of logs or lumber from a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks and nontaxable bonus income provided in section 735."

(b) Invested Capital Credit—Section 711 (a) (2) (relating to excess profits credit computed under invested capital credit) is amended by inserting at the end thereof the following new subparagraph:

"(K) Nontaxable Income of Certain Industries With Depletable Resources—In the case of a producer of minerals, or a producer of logs or lumber from a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks and nontaxable bonus income provided in section 735."

(c) Nontaxable Income—Subchapter E of Chapter 2 is amended by inserting after section 734 the following new section:

"SEC. 735. Nontaxable Income from Certain Mining and Timber Operations

"(a) Definitions—For the purposes of this section, section 711 (a) (1) (I), and section 711 (a) (2) (K)—

"(1) Producer—the term 'producer' means a corporation which extracts minerals from a mineral property, or cuts logs from a timber block, in which an economic interest is owned by such corporation.

"(2) Mineral unit—The term 'mineral unit' means a unit of metal, coal, or nonmetallic substance in the minerals recovered from the operation of a mineral property.

"(3) Timber unit—The term 'timber unit' means a unit of timber recovered from the operation of a timber block.

"(4) Excess output—The term 'excess output' means the excess of the mineral units or the timber units for the taxable year over the normal output.

"(5) Normal output—The term 'normal output' means the average annual mineral units, or the average annual timber units, as the base may be, recovered in the taxable years beginning after December 31, 1935, and not beginning after December 31, 1939 (hereinafter called 'base period'), of the person owning the mineral property or the timber block (whether or not the taxpayer). The average annual mineral units or timber units shall be computed by dividing the aggregate of such mineral units or timber units for the base period by the number of months for which the mineral property or the timber block was in operation during the base period and by multiplying the amount so ascertained by twelve. In any case in which the taxpayer establishes, under regulations prescribed by the Commissioner with the approval of the Secretary, that the operation of any mineral property or any timber block is normally prevented for a specified period each year by physical events outside the control of the taxpayer, the number of months during which such mineral property or timber block is regularly in operation during a taxable year shall be used in computing the average annual mineral units, or timber units, instead of twelve. Any mineral property, or any timber block, which was in operation for less than six months during the base period shall, for the purposes of this section, be deemed not to have been in operation during the base period.

"(6) Mineral property—The term 'mineral property' means a mineral deposit, the development and plan necessary for the extraction of the deposit, and so much of the surface of the land as is necessary for purposes of such extraction.

"(7) Minerals—The term 'minerals' means ores of the metals, coal, and such nonmetallic substances as abrasives, asbestos, asphaltum, barytes, borax, building stone, cement rock, clay, crushed stone, feldspar, fluorspar, fuller's earth, graphite, gravel, gypsum, limestock, magnesite, marl, mica, mineral, pigments, peat, potash, precious stones, refractories, rock phosphate, salt, sand, silica, slate, soapstone, soda, sulphur, and tal[illegible]

"(8) Timber block—The term 'timber block' means an operation unit existing as of December 31, 1941, which includes all the taxpayer's timber which would logically go to a single given point of manufacture, but shall not include any operation unit acquired after December 31, 1941.

"(9) Normal unit profit—The term 'normal unit profit' means the average profit for the base period per mineral unit for such period, determined by dividing the net income with respect to minerals recovered from the mineral property (computed with the allowance for depletion computed in accordance with the basis for depletion applicable to the current taxable year) during the base period by the number of mineral units recovered from the mineral property during the base period.

"(10) Estimated recoverable units—The term 'estimated recoverable units' means the estimated number of units of metal, coal, or nonmetallic substances in the estimated recoverable minerals from the mineral property at the end of the taxable year plus the excess output for such year. All estimates shall be subject to the approval of the Commissioner, the determinations of whom, for the purposes of this section, shall be final and conclusive.

"(11) Exempt excess output—The term 'exempt excess output' for any taxable year means a number of units equal to the following percentages of the excess output for such year:

"100 per centum if the excess output exceeds 50 per centum of the estimated recoverable units;

"95 per centum if the excess output exceeds 33⅓ but not 50 per centum of the estimated recoverable units;

"90 per centum if the excess output exceeds 25 but not 33⅓ per centum of the estimated recoverable units;

"85 per centum if the excess output exceeds 20 but not 25 per centum of the estimated recoverable units;

"80 per centum if the excess output exceeds 16⅔ but not 20 per centum of the estimated recoverable units;

"60 per centum if the excess output exceeds 14 2/7 but not 16⅔ per centum of the estimated recoverable units;

"40 per centum if the excess output exceeds 12½ but not 14 2/7 per centum of the estimated recoverabue units;

"30 per centum if the excess output exceeds 10 but not 12½ per centum of the estimated recoverable units;

"20 per centum if the excess output exceeds 5 but not 10 per centum of the estimated recoverable units.

"(12) Unit net income—The term 'unit net income' means the amount ascertained by dividing the net income (computed with the allowance for depletion) from the coal or iron ore or the timber recovered from the coal mining property, iron mining property, or timber block, as the case may be, during the taxable year by the number of units of coal or iron ore, or timber, recoverable from such property in such year.

"(b) Nontaxable Income from Exempt Excess Output—

"(1) General rule—For any taxable year for which the excess output of mineral property which was in operation during the base period exceeds 5 per centum of the estimated recoverable units from such property, the nontaxable income from exempt excess output for such year shall be an amount equal to the exempt excess output for such year multiplied by the normal unit profit, but such amount shall not exceed the net income (computed with the allowance for depletion) attributable to the excess output for such year.

"(2) Coal and iron mines—For any taxable year, the nontaxable income from exempt excess output of a coal mining or iron mining property which was in operation during the base period shall be an amount equal to the excess output of such property for such year multiplied by one-half of the unit net income from such property for such year, or an amount determined under paragraph (1), whichever the taxpayer elects in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

"(3) Timber properties—For any taxable year, the nontaxable income from exempt excess output of a timber block which was in operation during the base period shall be an amount equal to the excess output of such property for such year multiplied by one-half of the unit net income from such property for such year.

"(c) Nontaxable Bonus Income—The term 'non-taxable bonus income' means the amount of the income derived from bonus payments made by any agency of the United States Government on account of the production in excess of a specified quota of a mineral product or of timber the exhaustion of which gives rise to an allowance for depletion under section 23 (m), but such amount shall not exceed the net income (computed with the allowance for depletion) attributable to the output in excess of such quota.

"(d) Rule in Case Income From Excess Output Includes Bonus Payment—In any case in which the income attributable to the excess output includes bonus payments (as provided in subsection (c)), the taxpayer may elect, under regulations prescribed by the Commissioner with the approval of the Secretary, to receive either the benefits of subsection (b) or subsection (c) with respect to such income as is attributable to excess output above the specified quota."

(d) Retroactive Exclusion of Nontaxable Bonus Income—The amendments made by this section inserting section 711 (a) (1) (I), section 711 (a) (2) (K), and section 735 (c), to the extent that they relate to nontaxable bonus income, shall be applicable to taxable years beginning after December 31, 1940.

SEC. 210. Net Operating Loss Deduction Adjustment

(a) Section 711 (a) (1) (relating to the excess profits credit computed under income credit) is amended by adding at the end thereof the following new subparagraph:

"(J) Net operating loss deduction adjustment—the net operating loss deduction shall be adjusted as follows:

"(i) In computing the net operating loss for any taxable year under section 122 (a), and the net income for any taxable year under section 122 (b), no deduction shall be allowed for any excess profits tax imposed by this subchapter, and, if the excess profits credit for such taxable year was computed under section 714, the deduction for interest shall be reduced by the amount of any reduction under paragraph (2) (B) for such taxable year; and

"(ii) In lieu of the reduction provided in section 122 (c), such reduction shall be in the amount by which the excess profits net income computed with the exceptions and limitations specified in section 122 (d) (1), (2), (3), and (4) and computed without regard to subparagraph (B), without regard to any credit for dividends received, and without regard to any credit for interest received provided in section 26 (a) exceeds the excess profits net income (computed without the net operating loss deduction)."

(b) Section 711 (a) (2) (relating to the excess profits credit computed under invested capital credit) is amended by adding at the end thereof the following new subparagraph:

"(L) Net operating loss deduction adjustment—The net operating loss deduction shall be adjusted as follows:

"(i) In computing the net operating loss for any taxable year under section 122 (a), and the net income for any taxable year under section 122 (b), no deduction shall be allowed for any excess profits tax imposed by this subchapter, and, if the excess profits credit for such taxable year was computed under section 714, the deduction for the interest shall be reduced by the amount of any reduction under subparagraph (B) of this paragraph for such taxable year; and

"(ii) In lieu of the reduction provided in section 122 (c), such reduction shall be in the amount by which the excess profits net income computed with the exceptions and limitations provided in section 122 (d) (1), (2), (3), and (4) and computed without regard to subparagraph (D), without regard to any credit for dividends received, and without regard to any credit for interest received provided in section 26 (a) exceeds the excess profits net income (computed without the net operating loss deduction)."

(c) The amendments made by this section shall be effective as of the date of enactment of the Excess Profits Tax Act of 1940.

SEC. 211. Credit for Dividends Received in Computation of Excess Profits Net Income in Connection With Invested Capital Credit

(a) Section 711 (a) (2) (A) is amended to read as follows:

"(A) Dividends Received—The credit for dividends received shall apply, without limitation, to all dividends on stock of all corporations, except that no credit for dividends received shall be allowed with respect to dividends (actual or constructive) on stock of foreign personal holding companies or dividends on stock which is not a capital asset."

(b) The amendment made by subsection (a) shall be effective as of the date of enactment of the Excess Profits Tax Act of 1940.

SEC. 212. Application of Excess Profits Tax to Certain Foreign Corporations

(a) Section 712 (b) (relating to the excess profits credit of foreign corporations) and section 724 (relating to invested capital in the case of foreign corporations and corporations entitled to benefits of section 251) are amended by striking out "or having an office or place of business therein", wherever occurring therein and section 712 (b) is amended by striking out "or had an office or place of business therein".

(b) Section 727 (f) (relating to exempt corporations) is amended by striking out "and not having an office or place of business therein".

SEC. 213. Excess Profits Net Income Placed on Annual Basis

(a) General Rule—Section 711 (a) (3) (relating to taxable years of less than twelve months) is amended to read as follows:

"(3) Taxable year less than twelve months—

"(A) General Rule—If the taxable year is a period of less than twelve months the excess profits net income for such taxable year (referred to in this paragraph as the 'short taxable year') shall be placed on an annual basis by multiplying the amount thereof by the number of days in the twelve months ending with the close of the short taxable year and dividing by the number of days in the short taxable year. The tax shall be such part of the tax computed on such annual basis as the number of days in the short taxable year is of the number of days in the twelve months ending with the close of the short taxable year.

"(B) Exception—If the taxpayer establishes its adjusted excess profits net income for the period of twelve months beginning with the first day of the short taxable year, computetd as if such twelve-month period were a taxable year, under the law applicable to the short taxable year, and using the credits applicable in determining the adjusted excess profits net income for such short taxable year, then the tax for the short taxable year shall be reduced to an amount which is such part of the tax computed on such adjusted excess profits net income so established as the excess profits net income for the short taxable year is of the excess profits net income for such twelve-month period. The taxpayer (other than a taxpayer to which the next sentence applies) shall compute the tax and file its return without the application of this subparagraph. If, prior to one year from the date of the beginning of the short taxable year, the taxpayer has disposed of substantially all its assets, in lieu of the twelve-month period provided in the preceding provisions of this subparagraph, the twelve-month period ending with the close of the short taxable year shall be used. For the purposes of this subparagraph, the excess profits net income for the short taxable year shall not be placed on an annual basis as provided in subparagraph (A), and the excess profits net income for the twelve-month period used shall in no case be considered less than the excess profits net income for the short taxable year. The benefits of this subparagraph shall not be allowed unless the taxpayer, at such time as regulations prescribed hereunder require, makes application therefor in accordance with such regulations, and such application, in case the return was filed without regard to this subparagraph, shall be considered a claim for credit or refund. The Commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary for the application of this subparagraph."

(b) Taxable Years to Which Amendment Applicable—The amendment made by this section shall be applicable to taxable years beginning after December 31, 1939.

SEC. 214. Interest on Certain Federal Obligations

(a) Computation of Income Deficit—Section 713 (c) (relating to definition of deficit) is amended to read as follows:

"(c) Deficit in Excess Profits Net Income—For the purposes of this section the term 'deficit in excess profits net income' with respect to any taxable year means the amount by which the deductions plus the credit for dividends received and the credit provided in section 26 (a) (relating to interest on certain obligations of the United States and its instrumentalities) exceeded the gross income. For the purposes of this subsection in determining whether there was such an excess and in determining the amount thereof, the adjustments provided in section 711 (b) (1) shall be made."

(b) Cross References—For amendments Supplement A on a computation of base period income in case of certain reorganizations, see section 228 of this Act.

SEC. 215. Base Period Net Income of Lowest Year in Base Period

Section 713 (e) (1) (relating to exclusion of deficit year from computation of average base period net income) is amended to read as follows:

"(1) By computing the aggregate of the excess profits net income for each of the taxable years of the taxpayer in the base period, reduced by the sum of the deficits in excess profits net income for each of such years. If the excess profits net income (or deficit in excess profits net income) for one taxable year in the base period divided by the number of months in such taxable year is less than 75 per centum of the aggregate of the excess profits net income (reduced by deficits in excess profits net income) for the other taxable years in the taxpayer's base period divided by the number of months in such other taxable years (herein called 'average monthly amount') the amount used for such one year under this paragraph shall be 75 per centum of the average monthly amount multiplied by the number of months in such one year, and the year increased under this sentence shall be the year the increase in which will produce the highest average base period net income;".

SEC. 216. Capital Reduction in Case of Members of Controlled Group

Section 713 (g) (relating to adjustments in excess profits credit on account of capital changes) is amended by adding at the end thereof the following new paragraph:

"(5) If, on any day of the taxable year, the taxpayer and any one or more other corporations are members of the same controlled group, then the daily capital reduction of the taxpayer for such day shall be increased by whichever of the following amounts is the lesser:

"(A) The aggregate of the adjusted basis (for determining loss upon sale or exchange) of stock in such other corporation (or if more than one, in such other corporations) acquired by the taxpayer after the beginning of the taxpayer's first taxable year under this subchapter, minus the aggregate of the adjusted basis (for determining loss upon sale or exchange) of stock in such other corporation (or if more than one, in such other corporations) disposed of by the taxpayer prior to such day and after the beginning of the taxpayer's first taxable year under this subchapter; or

"(B) The excess of the aggregate of the adjusted basis (for determining loss upon sale or exchange) of stock in all domestic corporations and of obligations described in section 22 (b) (4), held by the taxpayer at the beginning of such day over the aggregate of the adjusted basis (for determining loss upon sale or exchange) of stock in all domestic corporations and of obligations described in section 22 (b) (4), held by the taxpayer at the beginning of its first taxable year under this subchapter.

If any stock or obligations described in subparagraph (A) or (B) was disposed of prior to such day, its basis shall be determined under the law applicable to the year in which so disposed of. The excluded capital of the taxpayer for such day shall be reduced by the amount by which the taxpayer's daily capital reduction for such day is increased under this paragraph. As used in this paragraph, a controlled group means one or more chains of corporations connected through stock ownership with a common parent corporation of (i) more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock, of each of the corporations (except the ocmmon parent corporation) is owned directly by one or more of the other corporations and (ii) the common parent corporation owns directly more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock, of at least one of the other corporations."

SEC. 217. Invested Capital Credit

Section 714 is amended to read as follows:

"SEC. 714. Excess Profits Credit—Based on Invested Capital

"The excess profits credit, for any taxable year, computed under this section, shall be the amount shown in the following table:

"If the invested capital for the taxable year, determined under section 715, is:	The credit shall be:
Not over $5,000,000	8% of the invested capital.
Over $5,000,000, but not over $10,000,000	$400,000, plus 7% of the excess over $5,000,000.
Over $10,000,000, but not over $200,000,000	$750,000, plus 6% of the excess over $10,000,000.
Over $200,000,000	$12,150,000, plus 5% of the excess over $200,000,000."

SEC. 218. Basis of Property Paid In

The last two sentences of section 718 (a) (2) (relating to property paid in) are amended to read as follows: "If the property was disposed of before such taxable year, such basis shall be determined under the law applicable to the year of disposition, but without regard to the value of the property as of March 1, 1913. If the property was disposed of before March 1, 1913, its basis shall be considered to be its fair market value at the time paid in. If the unadjusted basis of the property is a substituted basis, such basis shall be adjusted, with respect to the period before the property was paid in, by an amount equal to the adjustments proper under section 115 (1) for determining earnings and profits;".

SEC. 219. Deficit in Earnings and Profits on Another Corporation

(a) Addition to Equity Invested Capital of Transferee—Section 718 (a) is amended by inserting at the end thereof the following new paragraph:

"(7) Deficit in earnings and profits of another corporation—In the case of a transferee, as defined in subsection (c) (5), an amount, determined under such paragraph, equal to the portion of the deficit in earnings and profits of a transferor attributable to property received previously to such day."

(b) Reduction of Equity Invested Capital of Transferor—Section 718 (b) is amended by inserting at the end thereof the following new paragraph:

"(5) Deficit in earnings and profits transferred to another corporation—In the case of a transferor, as defined in subsection (c) (5), an amount, determined under such paragraph, equal to the portion of the deficit in earnings and profits of the transferor attributable to property transferred previously to such day."

(c) Earnings and Profits of Transferor and Transferee—Section 718 (c) (relating to rules for determining invested capital) is amended by inserting at the end thereof the following new paragraph:

"(5) Deficit in earnings and profits—Earnings and profits of transferor and transferee—If a corporation (hereinafter called 'transferor') transfers substantially all its property to another corporation formed to acquire such property (hereinafter called 'transferee'); if—

"(A) the sole consideration for the transfer of such property is the transfer to the transferor or its shareholders of all the stock of all classes (except qualifying shares) of the transferee. (In determining whether the transfer is solely for stock, the assumption by the transferee of a liability of the transferor or the fact that the property acquired is subject to a liability shall be disregarded);

"(B) the basis of the property, in the hands of the transferee, for the purposes of this subsection, is determined by reference to the basis of the property in the hands of the transferor;

"(C) the transferor is forthwith completely liquidated in pursuance of the plan under which the acquisition of the property is made; and

"(D) immediately after the liquidation the shareholders of the transferor own all such stock;

for the purposes of this subchapter, in computing the equity invested capital for any day after the date of the acquisition of the property, the earnings and profits or deficit in earnings and profits of the transferee and the transferor shall be computed as if, immediately before the beginning of the taxable year in which such transfer occurs, the transferee had been in existence and sustained a recognized loss, and the transferor had realized a recognized gain, equal to the portion of the deficit in earnings and profits of the transferor attributable to such property."

(d) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1939.

SEC. 220. Amortizable Bond Premium on Certain Govern Obligations

The first sentence of section 720 (d) (relating to increase in excess profits net income where Government obligations treated as admissible assets) is amended to read as follows: "If the excess profits credit for any taxable year is computed under section 714, the taxpayer may in its return for such year elect to increase its normal-tax net income for such taxable year by an amount equal to the amount of the interest on, reduced by the amount of the amortizable bond premium under section 125 attributable to, all obligations held during the taxable year which are described in section 22 (b) (4) any part of the interest from which is excludible from gross income or allowable as a credit against net income."

SEC. 221. Abnormalities in Income in Taxable Period

(a) Rule for Computations—Section 721 (c) and (d) (relating to computation of tax in case of abnormalities in come in the taxable period) is amended to read as follows:

"(c) Computation of Tax for Current Taxable Year—The tax under this subchapter for the taxable year, in which the whole of such abnormal income would without regard to this section be includible, shall not exceed the sum of:

"(1) The tax under this subchapter for such taxable year computed without the inclusion in gross income of the portion of the net abnormal income which is attributable to any other taxable year, and

"(2) The aggregate of the increase in the tax under this subchapter for the taxable year (computed under paragraph (1)) and for each previous taxable year which would have resulted if, for each previous taxable year to which any portion of such net abnormal income is attributable, an amount equal to such portion had been included in the gross income for such previous taxable year.

"(d) Computation of Tax for Future Taxable Year—The amount of the net abnormal income attributable to any future taxable year shall, for the purposes of this subchapter, be included in the gross income for such taxable year.

"(1) The tax under this subchapter for such future taxable year shall not exceed the sum of—

"(A) the tax under this subchapter for such future taxable year computed without the inclusion in gross income of the portion of such net abnormal income which is attributable to such year, and

"(B) the decrease in the tax under this subchapter for the previous taxable year in which the whole of such abnormal income would, without regard to this section, be includible which resulted by reason of the computation of such tax for such previous taxable year under the provisions of subsection (c); but the amount of such decrease shall be diminished by the aggregate of the increases in the tax under this subchapter for the future taxable year as computed under subparagraph (A) and for the taxable years intervening between such previous taxable year and such future taxable year which have resulted because of the inclusion of the portions of such net abnormal income attributable to such intervening years in the gross income for such intervening years.

"(2) If, in the application of subsection (c), net abnormal income from more than one taxable year is attributable to any future taxable year, paragraph (1) of this subsection shall be applied with respect to such future taxable year in the order of the taxable years from which the net abnormal income is attributable beginning with the earliest, as if the portion of the net abnormal income from each such year was the only amount so attributable to such future taxable year, and (except in the case of the portion for the earliest previous taxable year) as if the tax under this subchapter for the future taxable year was the tax determined under paragraph (1) with respect to the portion for the next earlier previous taxable year.

"(3) If in the application of paragraph (1) to any future taxable year it is determined that the decrease in tax computed under paragraph (1) (B) with respect to the net abnormal income, a portion of which is included in the gross income for the future taxable year, does not exceed the aggregate of the increases in tax computed under paragraph (1) (B) with respect to such net abnormal income, then the portions of such net abnormal income attributable to taxable years subsequent to such future taxable year shall not be included in the gross income for such subsequent taxable years. For the purpose of computing the tax under this subchapter for a taxable year subsequent to the future taxable year, the portion of net abnormal income attributable to the future taxable year shall not be included in the gross income for such future taxable year to the extent that the inclusion of such portion of net abnormal income in the gross income for such future taxable year did not result in an increase in tax for such future taxable year by reason of the provisions of paragrapuh (1).

"(e) Application of Section—This section shall be applied only for the purpose of computing the tax under this subchapter as provided in subsections (c) and (d), and shall have no effect upon the computation of base period net income. For the purposes of subsections (c) and (d)—

"(1) Net abnormal income means the aggregate of the net abnormal income of all classes for one taxable year.

"(2) Under regulations prescribed by the Commissioner with the approval of the Secretary, the tax under this subchapter for previous taxable years shall be computed as if the portions of net abnormal income for each previous taxable year for which the tax was computed under this section were included in the gross income for the other previous taxable years to which such portions were attributable.

"(3) If both subsections (c) and (d) are applicable to any current taxable year, subsection (d) shall be applied without regard to subsection (c), and subsection (c) shall be applied as if the tax under this subchapter, except for subsection (c), was the tax computed under subsection (d) and as if the gross income and the other amounts necessary to determine the adjusted excess profits net income were those amounts which would result in the tax computed under subsection (d).

"(f) Abnormal Income From Exploration, Etc.—If by reason of taking into account, in determining constructive average base period net income under section 722, exploration, discovery, prospecting, research, or development of tangible property, patents, formulae, or processes, or any combination of the foregoing, extending over a period of more than 12 months, such constructive average base period net income is higher than it would be without such taking into account, only such portion of the income in the taxable year resulting from such activity which is of a class described in subsection (a) (2) (C) as is attributable to another taxable year under this subchapter shall be deemed attributable to a year other than the taxable year."

(b) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1939.

SEC. 222. Relief Provisions

(a) General Relief—Section 722 is amended to read as follows:

"SEC. 722. General Relief—Constructive Average Base Period Net Income

"(a) General Rule—In any case in which the taxpayer establishes that the tax computed under this subchapter (without the benefit of this section) results in an excessive and discriminatory tax and establishes what would be a fair and just amount representing normal earnings to be used as a constructive average base period net income for the purposes of an excess profits tax based upon a comparison of normal earnings and earnings during an excess profits tax period, the tax shall be determined by using such constructive average base period net income in lieu of the average base period net income otherwise determined under this subchapter. In determining such constructive average base period net income, no regard shall be had to events or conditions affecting the taxpayer, the industry of which it is a member, or taxpayers generally occurring or existing after December 31, 1939, except that, in the cases described in the last sentence of section 722 (b) (4) and in section 722 (c), regard shall be had to the change in the character of the business under section 722 (b) (4) or the nature of the taxpayer and the character of its business under section 722 (c) to the extent necessary to establish the normal earnings to be used as the constructive average base period net income.

"(b) Taxpayers Using Average Earnings Method—The tax computed under this subchapter (without the benefit of this section) shall be considered to be excessive and discriminatory in the case of a taxpayer entitled to use the excess profits credit based on income pursuant to section 713, if its average base period net income is an inadequate standard of normal earnings because—

"(1) in one or more taxable years in the base period normal production, output, or operation was interrupted or diminished because of the occurrence, either immediately prior to, or during the base period, of events unusual and peculiar in the experience of such taxpayer,

"(2) the business of the taxpayer was depressed in the base period because of temporary economic circumstances unusual in the case of such taxpayer or because of the fact that an industry of which such taxpayer was a member was depressed by reason of temporary economic events unusual in the case of such industry,

"(3) the business of the taxpayer was depressed in the base period by reason of conditions generally prevailing in an industry of which the taxpayer was a member, subjecting such taxpayer to

"(A) a profits cycle differing materially in length and amplitude from the general business cycle, or

"(B) sporadic and intermittent periods of high production and profits, and such periods are inadequately represented in the base period,

"(4) the taxpayer, either during or immediately prior to the base period, commenced business or changed the character of the business and the average base period net income does not reflect the normal operation for the entire base period of the business. If the business of the taxpayer did not reach, by the end of the base period, the earning level which it would have reached if the taxpayer had commenced business or made the change in the character of the business two years before it did so, it shall be deemed to have commenced the business or made the change at such earlier time. For the purposes of this subparagraph, the term 'change in the character of the business' includes a change in the operation or management of the business, a difference in the products or services furnished, a difference in the capacity for production or operation, a difference in the ratio of nonborrowed capital to total capital, and the acquisition before January 1, 1940, of all or part of the assets of a competitor, with the result that the competition of such competitor was eliminated or diminished. Any change in the capacity for production or operation of the business consummated during any taxable year ending after December 31, 1939, as a result of a course of action to which the taxpayer was committed prior to January 1, 1940, or any acquisition before May 31, 1941, from a competitor engaged in the dissemination of information through the public press, of substantially all the assets of such competitor employed in such business with the result that competition between the taxpayer and the competitor existing before January 1, 1940, was eliminated, shall be deemed to be a change on December 31, 1939, in the character of the business, or

"(5) of any other factor affecting the taxpayer's business which may reasonably be considered as resulting in an inadequate standard of normal earnings during the base period and the application of this section to the taxpayer would not be inconsistent with the principles underlying the provisions of this subsection, and with the conditions and limitations enumerated therein.

"(c) Invested Capital Corporations, Etc.—The tax computed under this subchapter (without the benefit of this section) shall be considered to be excessive and discriminatory in the case of a taxpayer, not entitled to use the excess profits credit based on income pursuant to section 713, if the excess profits credit based on invested capital is an inadequate standard for determining excess profits, because—

"(1) the business of the taxpayer is of a class in which intangible assets not includible in invested capital under section 718 make important contributions to income,

"(2) the business of the taxpayer is of a class in which capital is not an important income-producing factor, or

"(3) the invested capital of the taxpayer is abnormally low.

In such case for the purposes of this subchapter, such taxpayer shall be considered to be entitled to use the excess profits credit based on income, using the constructive average base period net income determined under subsection (a). For the purposes of section 713 (g) and section 743, the beginning of the taxpayer's first taxable year under this subchapter shall be considered to be that date after which capital additions and capital reductions were not taken into account for the purposes of this subsection.

"(d) Application for Relief Under This Section.—The taxpayer shall compute its tax, file its return, and pay its tax under this subchapter without the application of this section, except as provided in section 710 (a) (5). The benefits of this section shall not be allowed unless the taxpayer, not later than six months after the date prescribed by law for the filing of its return, or if the application relates to a taxable year beginning after December 31, 1939, but not beginning after December 31, 1941, within six months after the date of the enactment of the Revenue Act of 1942, makes application therefor in accordance with regulations to be prescribed by the Commissioner with the approval of the Secretary, except that if the Commissioner in the case of any taxpayer with respect to the tax liability of any taxable year—

"(1) issues a preliminary notice proposing a deficiency in the tax imposed by this subchapter such taxpayer may, within ninety days after the date of such notice make such application, or

"(2) mails a notice of deficiency (A) without having previously issued a preliminary notice thereof or (B) within ninety days after the date of such preliminary notice, such taxpayer may claim the benefits of this section in its petition to the Board or in an amended petition in accordance with the rules of the Board.

If the application is not filed within six months after the date prescribed by law for the filing of the return, or if the application relates to a taxable year beginning after December 31, 1939, but not beginning after December 31, 1941, within six months after the date of the enactment of the Revenue Act of 1942, the operation of this section shall not reduce the tax otherwise determined under this subchapter by an amount in excess of the amount of the deficiency finally determined under this subchapter without the application of this section. If a constructive average base period net income has been determined under the provisions of this section for any taxable year, the Commissioner may, by regulations approved by the Secretary, prescribe the extent to which the limitations prescribed by this subsection may be waived for the purpose of determining the tax under this subchapter for a subsequent taxable year.

"(e) Rules for Application of Section—for the purposes of this section—

"(1) the tax imposed by this subchapter shall be the tax before the allowance of the foreign tax credit pursuant to section 729 (c) and (d);

"(2) in the case of a taxpayer, the average base period net income of which is computed under Supplement A, for the period for which the income of any other person is included in the computation of the average base period net income of the taxpayer, the taxpayer shall be treated as if such other person's business were a part of the business of the taxpayer.

"(f) Mining Corporations—In the case of a taxpayer to which section 711 (a) (1) (I) or section 711 (a) (2) (K) applies, if its constructive average base period net income is established under this section, there shall also be determined a fair and just amount to be used as normal output and normal unit profit for the purposes of section 735."

(b) Deferment of Payment of Tax—Section 710 (a) is amended by inserting at the end thereof the following new paragraph:

"(5) Deferment of payment in case of abnormality—If the adjusted excess profits net income (computed without reference to section 722) for the taxable year of a taxpayer which claims on its return, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, tht benefits of section 722, is in excess of 50 per centum of its normal tax net income for such year, computed without the credit provided in section 26 (e) (relating to adjusted excess profits net income), the amount of tax payable at the time prescribed for payment may be reduced by an amount equal to 33 per centum of the amount of the reduction in the tax so claimed. For the purposes of section 271, if the tax payable is the tax so reduced, the tax so reduced shall be considered the amount shown on the return."

(c) Review of Abnormalities by a Division of the Board—Section 732 (relating to review of abnormalities by the Board) is amended by inserting at the end thereof the following new subsection:

"(d) Review by Special Division of Board—The determinations and redeterminations by any division of the Board involving any question arising under section 721 (a) (2) (C) or section 722 shall be reviewed by a special division of the Board which shall be constituted by the Chairman and consist of not less than three members of the Board. The decisions of such special division shall not be reviewable by the Board, and shall be deemed decisions of the Board."

(d) Installment Basis and Other Taxpayers—Subchapter E of Chapter 2 is amended by inserting after section 735 the following new section:

"SEC. 736. Relief for Installment Basis Taxpayers and Taxpayers with Income from Long-Term Contracts

"(a) Election to Accrue Income—In the case of any taxpayer computing income from installment sales under the method provided by section 44 (a), if such taxpayer establishes, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that the average volume of credit extended to purchasers on the installment plan in the four taxable years preceding the first taxable year beginning after December 31, 1941, was more than 125 per centum of the volume of such credit extended to such purchasers in the taxable year, or the average outstanding installment accounts receivable at the end of each of the four taxable years preceding the first taxable year beginning after December 31, 1941, was more than 125 per centum of the amount of such accounts receivable at the end of the taxable year, or if the taxpayer was not in existence for four previous taxable years, the taxable years during which the taxpayer was in existence, in either case including only such years for which the income was computed under the method provided in section 44 (a), it may elect, in its return for the taxable year, for the purposes of the tax imposed by this subchapter, to compute, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, its income from installment sales on the basis of the taxable period for which such income is accrued, in lieu of the basis provided by section 44 (a). Except as hereinafter provided, such election shall be irrevocable when once made and shall apply also to all subsequent taxable years, and the income from installment sales for each taxable year before the first year with respect to which the election is made but beginning after December 31, 1939, shall be adjusted for the purposes of this subchapter to conform to such election. In making such adjustments, no amount shall be included in computing excess profits net income for any excess profits tax taxable year on account of installment sales made in taxable years beginning before January 1, 1940. If the taxpayer establishes, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that in a taxable year subsequent to the year with respect to which an election has been made under the preceding provisions of this subsection it would not be eligible to elect such accrual method, the taxpayer may in accordance with such regulations elect in its return for such year to abandon such accrual method. Such election shall be irrevocable when once made and shall preclude any further elections under this subsection. For the taxable year for which the latter election is made and subsequent taxable years, income shall be computed in accordance with section 44 (c)."

"(b) Election on Long-Term Contracts—In the case of any taxpayer computing income from contracts the performance of which requires more than 12 months, if it is abnormal for the taxpayer to derive income of such class, or, if the taxpayer normally derives income of such class but the amount of such income of such class includible in the gross income of the taxable year is in excess of 125 per centum of the average amount of the gross income of the same class for the four previous taxable years, or, if the taxpayer was not in existence for four previous taxable years, the taxable years during which the taxpayer was in existence, it may elect, in its return for such taxable year for the purposes of this subchapter, or in the case of a taxable year the return for which was filed prior to the date of the enactment of the Revenue Act of 1942, within 6 months after the date of the enactment of such Act, to compute, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, such income upon the percentage of completion method of accounting. Such election shall be made in accordance with such regulations and shall be irrevocable when once made and shall apply to all other contracts, past, present, or future, the performance of which required or requires more than 12 months. The net income of the taxpayer for each year prior to that with respect to which the election is made shall be adjusted for the purposes of this subchapter, including the computation of excess profits net income in each taxable year of the base period under section 711 (b), to conform to such election but for purposes of chapter 1, the tax imposed by this subchapter for any prior taxable taxable year on account of the adjustment required by this subsection shall be considered a part of the tax imposed by this subchapter for the taxable year in which such income is, without regard to this subsection, includible in gross income. Income described in this subsection shall not be considered abnormal income under section 721.

"(c) Adjustment on Account of Change—If an adjustment specified in subsection (a) of subsection (b), as the case may be, is, with respect to any taxable year, prevented, on the date of the election by the taxpayer under subsection (a) or subsection (b), as the case may be, or within two years from such date, by any provision or rule of law (other than this section and other than section 3761, relating to compromises), such adjustment shall nevertheless be made if in respect of the taxable year for which adjustment is sought a notice of deficiency is mailed or a claim for refund is filed, as the case may be, within two years after the date such election is made. If at the time of the mailing of such notice of deficiency or the filing of such claim for refund, the adjustment is so prevented, then the amount of the adjustment authorized by this subsection shall be limited to the increase or decrease in the tax imposed by Chapter 1 and this subchapter previously determined for such taxable year which results solely from the effect of subsection (a), or subsection (b), as the case may be, and such amount shall be assessed and collected, or credited or refunded, in the same manner as if it were a deficiency or an overpayment, as the case may be, for such taxable year and as if on the date of such election, two years remain before the expiration of the period of limitation upon assessment or the filing of claim for refund for the taxable year. The tax previously determined shall be ascertained in accordance with section 734 (d). The amount to be assessed and collected under this subsection in the same amount as if it were a deficiency or to be refunded or credited in the same manner as if it were an overpayment, shall not be diminished by any credit or set-off based upon any item, inclusion, deduction, credit, exemption, gain or loss, other then one resulting from the effect of subsection (a) or subsection (b), as the case may be. Such amount, if paid, shall not be recovered by a claim or suit for refund, or suit for erroneous refund based upon any item, inclusion, deduction, credit, exemption, gain or loss, other than one resulting from the effect of subsection (a) or subsection (b), as the case may be."

(e) Retroactive Application of Provisions Relative to General Relief and Income From Long-Term Contracts—

(1) The amendments made by this section to section 722 shall be applicable with respect to taxable years beginning after December 31, 1939.

(2) Subsection (b) of section 736 and so much of subsection (c) as is applicable thereto shall be applicable only with respect to taxable years beginning after December 31, 1941, except that, if a taxpayer, within six months after the date of enactment of this Act and in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, elects to have such subsections apply retroactively to all taxable years beginning after December 31, 1939, such amendments shall also be applicable to such taxable years.

(f) Technical Amendment—Section 721 (a) (2) (B) (relating to abnormalities on account of long-term contracts) shall not apply with respect to any taxable year beginning after December 31, 1941.

SEC. 223. Exempt Corporations

(a) Not Exempt if Consolidated Returns Filed—So much of section 727 as reads "The following corporations shall be exempt from the tax imposed by this subchapter" is amended to read as follows: "The following corporations, except a member of an affiliated group of corporations filing consolidated returns under section 141, shall be exempt from the tax imposed by this subchapter".

(b) Personal Service Corporation Not Exempt if Consolidated Return Filed—Section 725 (b) (relating to exemption of personal service corporations) is amended by inserting at the end thereof the following new sentence: "Such corporation shall not be exempt for such year if it is a member of an affiliated group of corporations filing consolidated returns under section 141."

(c) Exemption of Regulated Investment Companies—Section 727 (c) and (d) (relating to exemption of certain investment companies from excess profits tax) are amended to read as follows:

"(c) Regulated investment companies as defined in section 361 without the application of section 361 (b) (4)."

SEC. 224. Excess Profits Tax Returns

(a) Section 729 (b) (1) (relating to double computation or returns) is repealed.

(b) Sections 712 (c) and 741 (b) (relating to disclaimer of excess profits credit) are repealed.

(c) The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1939.

SEC. 225. Consolidated Returns

(a) Section 730 Not Applicable—Section 730 (relating to consolidated excess profits tax returns) shall not apply with respect to any taxable year beginning after December 31, 1941.

(b) Cross Reference—Section 729 (b) (relating to returns) is amended by adding at the end thereof the following new paragraph:

"(3) Consolidated returns—For provisions relating to consolidated returns, see section 141."

SEC. 226. Exemption from Tax of Mining of Certain Strategic Minerals

(a) Exemption—Subchapter E of Chapter 2 is amended by inserting after section 730 the following new section:

"SEC. 731. Corporations Engaged in Mining Of Strategic Minerals

"In the case of any domestic corporation engaged in the mining of antimony, chromite, manganese, nickel, platinum, quicksilver, sheet mica, tantalum, tin, tungsten, or vanadium, the portion of the adjusted excess profits net income attributable to such mining in the United States shall be exempt from the tax imposed by this subchapter. The tax on the remaining portion of such adjusted excess profits net income shall be an amount which bears the same ratio to the tax computed without regard to this section as such remaining portion bears to the entire adjusted excess profits net income."

(b) Taxable Years to Which Amendment Applicable—The amendment made by this section shall be applicable to taxable years beginning after December 31, 1940.

SEC. 227. Amendments To Section 734

(a) In General—Section 734 is amended to read as follows:

"SEC. 734. Adjustment in Case of Position Inconsistent With Prior Income Tax Liability

"(a) Definitions—For the purposes of this section—

"(1) Taxpayer—The term 'taxpayer' means any person subject to a tax under the applicable revenue Act.

"(2) Income tax—The term 'income tax' means an income tax imposed by Chapter 1 or Chapter 2A of this title; Title I and Title IA of the Revenue Acts of 1938, 1936, and 1934; Title I of the Revenue Acts of 1932 and 1928; Title II of the Revenue Acts of 1926 and 1924; Title II of the Revenue Acts of 1921 and 1918; Title I of the Revenue Act of 1917; Title I of the Revenue Act of 1916; or section II of the Act of October 3, 1913; a war profits or excess profits tax imposed by Title III of the Revenue Acts of 1921 and 1918; or Title II of the Revenue Act of 1917; or an income, war profits, or excess profits tax imposed by any of the foregoing provisions, as amended or supplemented.

"(3) Prior taxable year—A taxable year beginning after December 31, 1939, shall not be considered a prior taxable year.

"(4) The term 'predecessor of the taxpayer' means—

"(A) A person which is a component corporation of the taxpayer within the meaning of section 740; and

"(B) A person which on April 1, 1941, or at any time thereafter, controlled the taxpayer. The term 'controlled' as herein used shall have the same meaning as 'control' under section 112 (h), and

"(C) Any person in an unbroken series ending with the taxpayer if subparagraph (A) or (B) would apply to the relationship between the parties.

"(b) Circumstances of Adjustment—

"(1) If—

"(A) in determining at any time the tax of a taxpayer under this subchapter an item affecting the determination of the excess profits credit is treated in a manner inconsistent with the treatment accorded such item in the determination of the income-tax liability of such taxpayer or a predecessor for a prior taxable year or years, and

"(B) the treatment of such item in the prior taxable year or years consistently with the determination under this subchapter would effect an increase or decrease in the amount of the income taxes previously determined for such taxable year or years, and

"(C) on the date of such determination of the tax under this subchapter correction of the effect of the inconsistent treatment in any one or more of the prior taxable years is prevented (except for the provisions of section 3801) by the operation of any law or rule of law (other than section 3761, relating to compromises),

then the correction shall be made by an adjustment under this section. If in a subsequent determination of the tax under this subchapter for such taxable year such inconsistent treatment is not adopted, then the correction shall not be made in connection with such subsequent determination.

"(2) Such adjustment shall be made only if there is adopted in the determination a position maintained by the Commissioner (in case the net effect of the adjustment would be a decrease in the income taxes previously determined for such year or years) or by the taxpayer with respect to whom the determination is made (in case the net effect of the adjustment would be an increase in the income taxes previously determined for such year or years) which position is inconsistent with the treatment accorded such item in the prior taxable year or years which was not correct under the law applicable to such year.

"(3) Burden of proof—In any proceeding before the Board or any court the burden of proof in establishing that an inconsistent position has been taken (A) shall be upon the Commissioner, in case the net effect of the adjustment would be an increase in the income taxes previously determined for the prior taxable year or years, or (B) shall be upon the taxpayer, in case the net effect of the adjustment would be a decrease in the income taxes previously determined for the prior taxable year or years.

"(c) Method and Effect of Adjustment—

"(1) The adjustment authorized by subsection (b), in the amount ascertained as provided in subsection (d), if a net increase shall be added to, and if a net decrease shall be subtracted from, the tax otherwise computed under this subchapter for the taxable year with respect to which such inconsistent position is adopted.

"(2) If more than one adjustment under this section is made because more than one inconsistent position is adopted with respect to one taxable year under this subchapter, the separate adjustments, each an amount ascertained as provided in subsection (d), shall be aggregated, and the aggregate net increase or decrease shall be added to or subtracted from the tax otherwise computed under this subchapter for the taxable year with respect to which such inconsistent positions are adopted.

"(3) If all the adjustments under this section, made on account of the adoption of an inconsistent position or positions with respect to one taxable year under this subchapter, result in an aggregate net increase, the tax imposed by this subchapter shall in no case be less than the amount of such aggregate net increase.

"(4) If all the adjustments under this section, made on account of the adoption of an inconsistent position or positions with respect to a taxable year under this subchapter (hereinafter in this paragraph called the current taxable year), result in an aggregate net decrease, and the amount of such decrease exceeds the tax imposed by this subchapter (without regard to the provisions of this section) for the current taxable year, such excess shall be subtracted from the tax imposed by this subchapter for each succeeding taxable year, but the amount of the excess to be so subtracted shall be reduced by the reduction in tax for intervening taxable years which has resulted from the subtraction of such excess from the tax imposed for each such year.

"(d) Ascertainment of Amount of Adjustment—In computing the amount of an adjustment under this section there shall first be ascertained the amount of the income taxes previously determined for each of the prior taxable years for which correction is prevented. The amount of each such tax previously determined for each such taxable year shall be (1) the tax shown by the taxpayer, or by the predecessor, upon the return for such prior taxable year, increased by the amounts previously assessed (or collected without assessment) as deficiencies, and decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax; or (2) if no amount was shown as the tax by such taxpayer or such predecessor upon the return, or if no return was made by such taxpayer or such predecessor, then the amounts previously assessed (or collected without assessment) as deficiencies, but such amounts previously assessed, or collected without assessment, shall be decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax. There shall then be ascertained the increase or decrease in each such tax previously determined for each such year which results solely from the treatment of the item consistently with the treatment accorded such item in the determination of the tax liability under this subchapter. To the increase or decrease so ascertained for each such tax for each such year there shall be added interest thereon computed as if the increase or decrease constituted a deficiency or an overpayment, as the case may be, for such prior taxable year. Such interest shall be computed to the fifteenth day of the third month following the close of the excess profits tax taxable year with respect to which the determination is made. There shall be ascertained the difference between the aggregate of such increases, plus the interest attributable to each, and the aggregate of such decreases plus the interest attributable to each, and the net increase or decrease so ascertained shall be the amount of the adjustment under this section with respect to the inconsistent treatment of such item.

"(e) Interest in Case of Net Increase or Decrease—

"(1) If an adjustment under this section results in a net decrease, or more than one adjustment results in an aggregate net decrease, the portion of such net decrease or aggregate net decrease, as the case may be, subtracted from the tax which represents interest shall be included in gross income of the taxable year in which falls the date prescribed for the payment of the tax under this subchapter.

"(2) If an adjustment under this section results in a net increase, or more than one adjustment results in an aggregate net increase, the portion of such net increase or aggregate net increase, as the case may be, which represents interest shall be allowed as a deduction in computing net income for the taxable year in which falls the date prescribed for the payment of the tax under this subchapter."

(b) Taxable Years to Which Applicable—The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1939.

SEC. 228. Rules For Income Credit in Connection with Certain Exchanges

(a) Amendments to Section 740.—Section 740 is amended to read as follows:

"SEC. 740. Definitions

"For the purposes of this Supplement—

"(a) Acquiring Corporation—The term 'acquiring corporation' means—

"(1) A corporation which has acquired—

"(A) substantially all the properties of another corporation and the whole or a part of the consideration for the transfer of such properties is the transfer to such other corporation of all the stock of all classes (except qualifying shares) of the corporation which has acquired such properties, or

"(B) substantially all the properties of another corporation and the sole consideration for the transfer of such properties is the transfer to such other corporation of voting stock of the corporation which has acquired such properties, or

"(C) before October 1, 1940, properties of another corporation solely as paid-in surplus or a contribution to capital in respect of voting stock owned by such other corporation, or

"(D) substantially all the properties of a partnership in an exchange to which section 112 (b) (5), or so much of section 112 (c) or (e) as refers to section 112 (b) (5), or to which a corresponding provision of a prior revenue law, is or was applicable.

For the purposes of subparagraphs (B) and (C) in determining whether such voting stock or such paid-in surplus or contribution to capital is the sole consideration, the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded. Subparagraph (B) or (C) shall apply only if the corporation transferring such properties is forthwith completely liquidated in pursuance of the plan under which the acquisition is made, and the transaction of which the acquisition is a part has the effect of a statutory merger or consolidation.

"(2) A corporation which has acquired property from another corporation in a transaction with respect to which gain or loss was not recognized under section 112 (b) (6) of Chapter 1 or a corresponding provision of a prior revenue law;

"(3) A corporation the result of a statutory merger of two or more corporations; or

"(4) A corporation the result of a statutory consolidation of two or more corporations.

"(b) Component Corporation—The term 'component corporation' means—

"(1) In the case of a transaction described in subsection (a) (1), the corporation which transferred the assets;

"(2) In the case of a transaction described in subsection (a) (2), the corporation the property of which was acquired;

"(3) In the case of a statutory merger, all corporations merged, except the corporation resulting from the merger; or

"(4) In the case of a statutory consolidation, all corporations consolidated, except the corporation resulting from the consolidation; or

"(5) In the case of a transaction specified in subsection (a) (1) (D), the partnership whose properties were acquired.

"(c) Income of Certain Component Corporations Not Included—For the purposes of section 712, section 742, and section 743 in the case of a corporation which is a component corporation in a transaction described in subsection (a)—

"(1) Except as provided in paragraph (2), for the purpose of computing, for any taxable year beginning after December 31, 1941, the excess profits credit of such component corporation or of an acquiring corporation of which the acquiring corporation in such transaction is not a component, except in the application of sections 713 (f) and 742 (h) (other than the limitation on the amount of average base period net income or Supplement A average base period net income, as the case may be, determined thereunder), no account shall be taken of the excess profits net income of such component corporation for any period before the day after such transaction, or of the excess profits net income for any period before the day after such transaction of its component corporations in any transaction before such transaction, and no account shall be taken of the capital addition or capital reduction of such component corporation either immediately before such transaction or for any prior period, or of the capital addition or capital reduction either immediately before such transaction or for any prior period of its component corporations in any transaction before such transaction.

"(2) In case such transaction occurred in a taxable year of such component corporation beginning after December 31, 1941 for the purpose of computing the excess profits credit of such component corporation for such taxable year, the amount of its average base period net income or Supplement A average base period net income, as the case may be, shall be limited to an amount which bears the same ratio to such average base period net income or Supplement A average base period net income, as the case may be (computed without regard to this paragraph but with the application of paragraph (1) in case of a prior transaction described in subsection (a) with respect to such component corporation or a component corporation thereof), as the number of days in such taxable year before the day after such transaction bears to the total number of days in such taxable year.

For the purposes of section 742, in the case of a corporation which is a component corporation in a transaction described in subsection (a), in computing for any taxable year the Supplement A average base period net income of the acquiring corporation in such transaction or of a corporation of which such acquiring corporation becomes a component corporation, no account shall be taken of the excess profits net income of such component corporation for any period beginning with the day after such transaction.

(d) In case of a taxpayer which is an acquiring corporation the base period shall be the four calendar years 1936 to 1939, both inclusive, except that, if the taxpayer became an acquiring corporation prior to September 1, 1940, the base period shall be the same as that applicable to its first taxable year ending in 1941.

"(e) Base Period Years—In the case of a taxpayer which is an acquiring corporation its base period years shall be the four successive twelve-month periods beginning on the same date as the beginning of its base period.

"(f) Existence of Acquiring Corporation—For the purposes of section 712 (a), if any component corporation of the taxpayer was in existence before January 1, 1940, the taxpayer shall be considered to have been in existence before such date.

"(g) Component Corporations of Component Corporations—If a corporation is a component corporation of an acquiring corporation, under subsection (b) or under this subsection, it shall (except for the purposes of section 742 (d) (1) and (2) and section 743 (a) (1), (2), and (3)) also be a component corporation of the corporation of which such acquiring corporation is a component corporation.

"(h) Sole Proprietorship—For the purposes of sections 740 (a) (1) (D), 740 (b) (5), and 742 (g), a business owned by a sole proprietorship shall be considered a partnership."

(b) Repeal of Section 741 (a)—Section 741 (a) is repealed.

(c) Amendments to Section 742—Section 742 is amended to read as follows:

"SEC. 742. Supplement A Average Base Period Net Income

"In the case of a taxpayer which is an acquiring corporation, its average base period net income (for the purpose of the credit computed under section 713) shall be the amount computed under section 713 or the amount of its Supplement A average base period net income, whichever is the greater. The Supplement A average base period net income shall be the amount computed without regard to subsection (h) of this section or computed under subsection (h) of this section, whichever is the greater. The Supplement A average base period net income shall be computed as follows:

"(a) By ascertaining with respect to each of its base period years—

"(1) The amount of its and each of its component corporation's excess profits net income for each of its and such component corporation's taxable years beginning with of within such base period year; or, in the case of each such taxable year of the taxpayer or of such component corporation, as the case may be, in which the deductions plus the credit for dividends received and the credit provided in section 26 (a) (relating to interest on certain obligations of the United States and its instrumentalities) exceed the gross income, the amount of such excess;

"(2) (A) The aggregate of the amounts of excess profits net income ascertained under paragraph (1); (B) the aggregate of the excess ascertained under paragraph (1); and (C) the difference between the aggregates found under clause (A) and clause (B). If the aggregate ascertained under clause (A) is greater than the aggregate ascertained under clause (B), the difference shall for the purposes of subsection (b) be designated a 'plus amount' and if the aggregate ascertained under clause (B) is greater than the aggregate found under clause (A), the difference shall for the purposes of subsection (b) be designated a 'minus amount'.

If, in the case of the taxpayer or any component corporation of the taxpayer, one and only one taxable year of the taxpayer or such component corporation, as the case may be, begins with or within such base period year and such taxable year is less than twelve months, the amount of the excess profits net income, or the amount of such excess of deductions plus the credit for dividends received and the credit provided in section 26 (a) (relating to interest on certain obligations of the United States and its instrumentalities) over gross income, as the case may be, for such taxable year, shall be placed on an annual basis in the same manner as is provided in section 711 (a) (3). If more than one taxable year of the taxpayer or such component corporation, as the case may be, begins with or within such base period year, the aggregate of the amounts of excess profits net income minus the aggregate of the excesses of deductions plus the credit for dividends received and the credit provided in section 26 (a) (relating to interest on certain obligations of the United States and its instrumentalities) over gross income, or the aggregate of such excesses minus the aggregate of the amounts of excess profits net income, as the case may be, for such taxable years shall be adjusted to such extent as the Commissioner, under regulations prescribed by him with the approval of the Secretary, prescribes as necessary in order that such base period year shall reflect income for a period of twelve months. For the purposes of this section, a taxable year of a component corporation beginning within the base period which also begins with or within the taxable year of the acquiring corporation in which the acquisition occurred, or which also begins with or within the same base period year with which or within which began such taxable year of the acquiring corporation, shall be considered a taxable year of the acquiring corporation, and such taxable year shall be considered to have begun in the base period year with which or within which such taxable year of the acquiring corporation began.

"(b) By adding the plus amounts ascertained under subsection (a) (2) for each year of the base period; and

"(1) If the tax under this subchapter is being computed for a taxable year not beginning after December 31, 1941, by subtracting from such sum, if for two or more years of the basis period there was a minus amount, the sum of the minus amounts, excluding the greatest; or

"(2) If the tax under this subchapter is being computed for a taxable year beginning after December 31, 1941, by subtracting from such sum the sum of the minus amounts. If the amount used under the preceding sentence for the lowest year is less than 75 per centum of the sum of the plus amounts reduced by the sum of the minus amounts for the other years in the base period divided by three, the amount which shall be used for such lowest year shall be 75 per centum of the amount last ascertained.

"(c) By dividing the amount ascertained under subsection (b) by four.

"(d) In no case shall the average base period net income be less than zero. In the case of a taxpayer which becomes an acquiring corporation in any taxable year beginning after December 31, 1939, if, on September 11, 1940, and at all times until the taxpayer became an acquiring corporation—

"(1) the taxpayer owned not less than 75 per centum of each class of stock of each of the qualified component corporations involved in the transaction in which the taxpayer became an acquiring corporation; or

"(2) one of the qualified component corporations involved in the transaction owned not less than 75 per centum of each class of stock of the taxpayer, and of each of the other qualified component corporations involved in the transaction,

the average base period net income of the taxpayer shall not be less than (A) the average base period net income of that one of its qualified component corporations involved in the transaction the average base period net income of which is greatest, or (B) the average base period net income of the taxpayer computed without regard to the base period net income of any of its qualified component corporations involved in the transaction. As used in this subsection, the term 'qualified component corporation' means a component corporation which was in existence on the date of the beginning of the taxpayer's base period.

"(e) For the purposes of subsection (a) (1) of this section—

"(1)If neither the taxpayer corporation nor any of its component corporations was actually in existence on December 31, 1936, the excess profits net income of each such corporation for each base period year at no time during which any of such corporations was actually in existence, shall (except in the case of a corporation which became a component corporation of its acquiring corporation before the beginning of the acquiring corporation's first taxable year which began in 1940) be an amount equal to 8 per centum of the excess of—

"(A) in the case of any such corporation to which paragraph (2) is not applicable, the daily invested capital of such corporation for the first day of its first taxable year under this subchapter beginning in 1940 over

"(B) an amount equal to the same percentage of such daily invested capital as would be applicable under section 720 in reduction of the average invested capital of such corporation for the last taxable year beginning in 1939 if such section had been applicable to such year (computed as if the admissible and inadmissible assets of any other such corporation with respect to which it became, in such taxable year, an acquiring corporation, had been held by it).

"(2) In case the transaction by which a corporation became a component corporation of its acquiring corporation occurred in the last taxable year of such component corporation beginning in 1939 but on a day in a taxable year of such acquiring corporation beginning in 1940, the excess profits net income of such component corporation for each base period year described in paragraph (1) shall be an amount equal to 8 per centum of the excess of—

"(A) the daily invested capital of such component corporation for such day, over

"(B) an amount equal to the same percentage of such daily invested capital as would be applicable under section 720 in reduction of the average invested capital of such component corporation for the twelve-month period ending with the preceding day if such twelve-month period constituted a taxable year and such section had been applicable to such taxable year.

"(3) In case any corporation described in paragraph (1) owned stock in any other such corporation on the first day of such owning corporation's first taxable year under this subchapter beginning in 1940, the amounts computed under subparagraphs (A) and (B) of paragraphs (1) and (2) with respect to such corporations shall be adjusted, under regulations prescribed by the Commissioner with the approval of the Secretary, to such extent as may be necessary to prevent the excess profits net income of such corporations for the base period years described in paragraph (1) from reflecting money or property having been paid in by either of such corporations to the other for stock or as paid-in surplus or as a contribution to capital, or from reflecting stock of either having been paid in for stock of the other or as paid-in surplus or as a contribution to capital. For the purposes of this paragraph, stock in either such corporation which has in the hands of the other corporation a basis determined with reference to the basis of stock previously acquired by the issuance of such other corporation's own stock shall be deemed to have been paid in for the stock of such other corporation.

"(4) In determining whether, for any taxable year, the deductions plus the credit for dividends received and the credit provided in section 26 (a) (relating to interest on certain obligations of the United States and its instrumentalities) exceeded the gross income, and in determining the amount of such excess, the adjustments provided in section 711 (b) (1) shall be made.

"(f) (1) If, after December 31, 1935—

"(A) the taxpayer acquired stock in another corporation, and thereafter such other corporation became a component corporation of the taxpayer, or

"(B) a corporation (hereinafter called 'first corporation') acquired stock in another corporation (hereinafter called 'second corporation'), and thereafter the first and second corporations became component corporations of the taxpayer,

then to the extent that the consideration for such acquisition was not the issuance of the taxpayer's or first corporation's, as the case may be, own stock, the Supplement A average base period net income of the taxpayer shall be reduced, and the transferred capital addition and reduction adjusted, in respect of the income and capital addition and reduction of the corporation whose stock was so acquired and in respect of the income and capital addition and reduction of any other corporation which at the time of such acquisition was connected directly or indirectly through stock ownership with the corporation whose stock was so acquired and which thereafter became a component corporation of the taxpayer, in such amounts and in such manner as shall be determined in accordance with regulations prescribed by the Commissioner with the approval of the Secretary. For the purposes of this paragraph, stock which has, in the hands of the taxpayer or first corporation, as the case may be, a basis determined with reference to the basis of stock previously acquired by the issuance of the taxpayer's or first corporation's, as the case may be, own stock, shall be considered as having been acquired in consideration of the issuance of the taxpayer's or first corporation's, as the case may be, own stock.

"(2) If during the taxable year for which tax is computed under this subchapter the taxpayer acquires assets in a transaction which constitutes it an acquiring corporation, the amount includible under subsection (a), attributable to such transaction, shall be limited to an amount which bears the same ratio to the amount computed without regard to this subsection as the number of days in the taxable year after such transaction bears to the total number of days in such taxable year.

"(g) In the case of a partnership which is a component corporation by virtue of section 740 (b) (5), the computations required by this Supplement shall be made, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, as if such partnership had been a corporation. For the purpose of such computations, in making the adjustment for income taxes required by section 711 (b) (1) (A), the partnership so regarded as a corporation shall be considered as having distributed all its net income as a dividend.

"(h) Increased Earnings in Last Half of Base Period—

"(1) General Rule—The Supplement A average base period net income determined under this subsection shall be computed by ascertaining for each half of the base period the sum of the plus amounts determined under subsection (a) reduced if for any year in such half a minus amount was determined by the minus amount for such year. If the amount ascertained for the second half exceeds the amount ascertained for the first half, the Supplement A average base period net income shall be the sum, divided by two, of the amount so ascertained for the second half plus one-half of such excess, except that it shall not exceed the largest plus amount determined under subsection (a) with respect to any base period year.

"(2) Limitation on Amount Includible for Certain Taxable Years Ending After May 31, 1940—For the purposes of this subsection the excess profits net income of any corporation for any taxable year beginning in 1939 and ending after May 31, 1940, shall in no case exceed an amount computed as follows:

"(A) By reducing the excess profits net income by an amount which bears the same ratio thereto as the number of months after May 31, 1940, bears to the total number of months in such taxable year; and

"(B) By adding to the amount ascertained under subparagraph (A) an amount which bears the same ratio to the excess profits net income for the last preceding taxable year as such number of months after May 31, 1940, bears to the number of months in such preceding year. The amount added under this paragraph shall not exceed the amount of the excess profits net income for such last preceding taxable year.

"(C) If the number of months in such preceding taxable year is less than such number of months after May 31, 1940, by adding to the amount ascertained under subparagraph (B) an amount which bears the same ratio to the excess profits net income for the second preceding taxable year as the excess of such number of months after May 31, 1940, over the number of months in such preceding taxable year bears to the number of months in such second preceding taxable year.

(d) Amendments to Section 743—Section 743 is amended to read as follows:

"SEC. 743. Net Capital Changes

"(a) Taxpayer Using This Supplement—For the purposes of section 713 (g), if the transaction which constitutes the taxpayer an acquiring corporation occurs in a taxable year of the taxpayer which begins after December 31, 1939, and the taxpayer's average base period net income is computed under section 742, the following rules shall apply in computing the daily capital addition and reduction of the taxpayer for each day after such transaction:

"(1) The transferred capital addition or reduction of the component corporation shall be treated as if it were a capital addition or reduction, as the case may be, of the taxpayer.

"(2) The transferred capital addition of the component corporation shall be its daily capital addition as of the time immediately before the transaction (computed under section 713 (g), but without regard to its reduction under the fourth sentence of paragraph (3) on account of excluded capital, but with the application of paragraph (6) of this subsection).

"(3) The transferred capital reduction of the component corporation shall be its daily capital reduction as of the time immediately before the transaction (computed under section 713 (g) but with the application of paragraph (7) of this subsection).

"(4) In computing the daily capital addition of the taxpayer, money or property paid in to the taxpayer by any of its component corporations, and property consisting of stock in any such component corporation paid in by shareholders of such component corporation, shall be disregarded.

"(5) In computing the daily capital reduction of the taxpayer, distributions by the taxpayer to any of its component corporations not out of earnings and profits shall be disregarded.

"(6) In computing the transferred capital addition of the component corporation, money or property paid in to such component corporation by the taxpayer or any other component corporation and property consisting of stock in the taxpayer or any other component corporation paid in by shareholders of the taxpayer or other component corporation, shall be disregarded.

"(7) In computing the transferred capital reduction of the component corporation, distributions by such component corporation to the taxpayer or any other component corporation shall be disregarded.

"(8) The daily capital addition of the taxpayer to which any amount is added under paragraph (1) shall be the amount thereof computed before its reduction under the fourth sentence of section 713 (g) (3) on account of excluded capital.

"(b) Rule Where Acquiring Corporation Is Component of Taxpayer—In cases where an acquiring corporation is a component of the taxpayer, and the transaction which constitutes such corporation an acquiring corporation occurs in a taxable year of such corporation which begins after December 31, 1939, for the purpose of determining the daily capital addition or reduction of the taxpayer the above rules shall be applied in a similar manner to determine the daily capital addition or reduction of such acquiring corporation for each day after such transaction.

(e) Amendments to Excess Profits Tax Made Necessary by Amendments to Supplement A —

(1) Cross-reference—Section 712 (relating to allowance of excess profits credit) is amended by inserting at the end thereof the following new subsection:

"(d) Special Rule in Connection With Certain Reorganizations—For the existence of taxpayer through component corporation, see section 740 (f)."

(2) Technical amendment—Section 713 (a) (1) (A) (relating to amount of credit for income method) is amended to read as follows:

"(A) 95 per centum of the average base period net income,".

(f) Taxable Years to Which Amendments Applicable—The amendments made by this section shall be applicable only to the computation of the tax for taxable years beginning after December 31, 1941, except that (1) the last sentence of section 740 (c), as added by subsection (a) of this section shall be applicable to the computation of the tax for all taxable years beginning after December 31, 1939, and (2) if a taxpayer, within the itme and in the manner and subject to such regulations as the Commissioner with the approval of the Secretary prescribes, elects to have such amendments (except those which by their terms are limited to taxable years beginning after December 31, 1941, and except that referred to in clause (1)) apply retroactively to all taxable years of the taxpayer beginning after December 31, 1939, such amendments shall also be applicable to the computation of the tax for taxable years beginning after December 31, 1939.

SEC. 229. Termination of Supplement B

(a) Retroactive Repeal of Section 752—

(1) Section 752 (relating to highest bracket amount) is repealed as of the date of enactment of the Second Revenue Act of 1940.

(2) Section 710 (a) (2) relating to application of highest bracket amount in computing tax) is repealed as of the date of enactment of the Second Revenue Act of 1940.

(b) Sections 750 and 751 (relating to determination of property paid in, etc., in certain cases) shall not apply with respect to any taxable year beginning after December 31, 1941.

SEC. 230. Invested Capital in Connection with Certain Exchanges and Liquidations

(a) Exchanges and Liquidations — Chapter 2E is amended by inserting at the end thereof the following new Supplement:

"Supplement C—Invested Capital in Connection With Certain Exchanges and Liquidations

"SEC. 760. Exchanges

"(a) Definitions, Etc—For the purposes of this section—

"(1) 'Exchange', 'transferor', and 'transferee'—The term 'exchange' means a transaction by which one corporation (hereinafter called 'transferee') receives property of another corporation (hereinafter called 'transferor') and the basis of the property received, in the hands of the transferee, for the purposes of section 718 (a) is determined by reference to the basis in the hands of the transferor.

"(2) Determination of basis of property received—The basis, in the hands of the transferee, of the property of the transferor received by the transferee upon the exchange shall be determined in accordance with section 718 (a).

"(b) Rule—In the application of section 718 (a) to a transferee upon an exchange in determining the amount paid in for stock of the transferee, or as paid-in surplus or as a contribution to capital of the transferee, in connection with such exchange, only an amount shall be deemed to have been so paid in equal to the excess of the basis in the hands of the transferee of the property of the transferor received by the transferee upon the exchange over the sum of—

"(1) The amount of any liability of the transferor assumed upon the exchange and of any liability subject to which such property was so received, plus

"(2) The amount of any liability of the transferee (not arising out of any liability described in paragraph (1)) constituting consideration for the property so received, plus

"(3) The aggregate of the amount of any money and the fair market value of any other property (other than such stock and other than property described in paragraphs (1) and (2)) transferred to the transferor.

"(c) Reduction in Daily Invested Capital—In the application of section 717 to a transferee upon an exchange, the daily invested capital for any day after such exchange shall be reduced by an amount equal to the amount by which the sum of the amounts specified in paragraphs (1), (2), and (3) of subsection (b) exceeds the basis in the hands of the transferee of the property of the transferor received upon the exchange.

"SEC. 761. Invested Capital Adjustment at the Time of Tax-Free Intercorporate Liquidations

"(a) Definition of Intercorporate Liquidation—As used in this section, the term 'intercorporate liquidation' means the receipt (whether or not after December 31, 1941) by a corporation (hereinafter called the 'transferee') of property in complete liquidation of another corporation (hereinafter called the 'transferor') to which

"(1) the provisions of section 112 (b) (6), or the corresponding provision of a prior revenue law, is applicable or

"(2) a provision of law is applicable prescribing the non-recognition of gain or loss in whole or in part upon such receipt (including a provision of the regulations applicable to a consolidated income or excess profits tax return but not including section 112 (b) (7), (9), or (10) or a corresponding provision of a prior revenue law),

but only if none of such property so received is a stock or a security in a corporation the stock or securities of which are specified in the law applicable to the receipt of such property as stock or securities permitted to be received (or which would be permitted to be received if they were the sole consideration) without the recognition of gain.

"(b) Definition of Plus Adjustment and Minus Adjustment—For the purposes of this section—

"(1) Plus adjustment—The term 'plus adjustment' means the amount, with respect to an intercorporate liquidation, determined to be equal to the amount by which the aggregate of the amount of money received by the transferee in such intercorporate liquidation, and of the adjusted basis at the time of such receipt of all property (other than money) so received, exceeds the sum of—

"(A) the aggregate of the adjusted basis of each share of stock with respect to which such property was received; such adjusted basis of each share to be determined immediately prior to the receipt of any property in such liquidation with respect to such share, and

"(B) the aggregate of the liabilities of the transferor assumed by the transferee in connection with the receipt of such property, of the liabilities (not assumed by the transferee) to which such property so received was subject, and of any other consideration (other than the stock with respect to which such property was received) given by the transferee for such property so received.

"(2) Minus adjustment—The term 'minus adjustment' means the amount, with respect to an intercorporate liquidation, determined to be equal to the amount by which the sum of—

"(A) the aggregate of the adjusted basis of each share of stock with respect to which such property was received; such adjusted basis of each share to be determined immediately prior to the receipt of any property in such liquidation with respect to such share, and

"(B) the aggregate of the liabilities of the transferor assumed by the transferee in connection with the receipt of such property, of the liabilities (not assumed by the transferee) to which such property so received was subject, and of any other consideration (other than the stock with respect to which such property was received) given by the transferee for such property so received

exceeds the aggregate of the amount of the money so received and of the adjusted basis, at the time of receipt, of all property (other than money) so received.

"(3) Rules for application of paragraphs (1) and (2)—In determining the plus adjustment or minus adjustment with respect to any share, the computation shall be made in the same manner as is prescribed in paragraphs (1) and (2) of this subsection, except that there shall be brought into account only that part of each item which is determined to be attributable to such share.

"(c) Rules for the Application of This Section—

"(1) Stock having cost basis—The property received by a transferee in an intercorporate liquidation attributable to a share of stock having in the hands of the transferee a basis determined to be a cost basis, shall be considered to have, for the purposes of subsection (b), an adjusted basis at the time so received determined as follows:

"(A) The aggregate of the property (other than money) held by the transferor at the time of the acquisition by the transferee of control of the transferor (or, if such share was acquired after the acquisition of such control, at the time of the acquisition of such share, or, if such control was not acquired, at the time immediately prior to the receipt of any property in the intercorporate liquidation in respect of such share) shall be deemed to have an aggregate basis equal to the amount obtained by (i) multiplying the amount of the adjusted basis at such time of such share in the hands of the transferee by the aggregate number of share units in the transferor at such time (the interest represented by such share being taken as the share unit), and (ii) adjusting for the amount of money on hand and the liabilities of the transferor at such time.

"(B) The basis which property of the transferor is deemed to have under subparagraph (A) at the time therein specified shall be used in determining the basis of property subsequently acquired by the transferor the basis of which is determined with reference to the basis of property specified in subparagraph (A).

"(C) The basis which property of the transferor is deemed to have under subparagraphs (A) and (B) at the time therein specified shall be used in determining all subsequent adjustments to the basis of such property.

"(D) The property so received by the transferee shall be deemed to have, at the time of its receipt, the same basis it is deemed to have under the foregoing provisions of this paragraph in the hands of the transferor, or in the case of property not specified in subparagraph (A) or (B), the same basis it would have had in the hands of the transferor.

"(E) Only such part of the aggregate property received by the transferee in the intercorporate liquidation as is attributable to such share shall be considered as having the adjusted basis which property is deemed to have under subparagraphs (A), (B), (C), and (D) of this paragraph.

"(2) Basis of stock not a cost basis—The property received by a transferee in an intercorporate liquidation attributable to a share of stock having in the hands of the transferee a basis determined to be a basis other than a cost basis shall, for the purposes of subsection (b), be considered to have, at the time of its receipt, the basis it would have had had the first sentence of section 113 (a) (15) been applicable.

"(3) Definition of control—As used in this subsection, the term 'control' means the ownership of stock possessing at least 80 per centum of the total combined voting power of all classes of stock entitled to vote and the ownership of at least 80 per centum of the total number of shares of all other classes of stock (except nonvoting stock which is limited and preferred as to dividends), but only if in both cases such ownership continues until the completion of the intercorporate liquidation.

"(d) Adjustment of Equity Invested Capital—If property is received by the transferee in an intercorporate liquidation, in computing the equity invested capital of the transferee for any day following the completion of such intercorporate liquidation—

"(1) with respect to any share of stock in the transferor having in the hands of the transferee, immediately prior to the receipt of any property in such intercorporate liquidation, a basis determined to be a cost basis, the earnings and profits or deficit in earnings and profits of the transferee shall be computed as if on the day following the completion of such intercorporate liquidation the transferee had realized a recognized gain equal to the amount of the plus adjustment in respect of such share, or had sustained a recognized loss equal to the amount of the minus adjustment in respect of such share;

"(2) with respect to any share of stock in the transferor having in the hands of the transferee, immediately prior to the receipt of any property in such intercorporate liquidation, a basis determined to be a basis other than a cost basis, there shall be treated as an amount includible in the sum specified in section 718 (a) the amount of the plus adjustment with respect to such share, or as an amount includible in the sum specified in section 718 (b) the amount of the minus adjustment with respect to such share.

"(e) Invested Capital Basis—The adjusted basis which property received by the transferee in an intercorporate liquidation is considered to have under the provisions of subsection (c) at the time of its receipt shall be thereafter treated as the adjusted basis, in lieu of the adjusted basis otherwise prescribed, in computing any amount, determined by reference to the basis of such property in the hands of the transferee, entering into the computation of the invested capital of the transferee, or of any other corporation the computation of the invested capital of which is determined by reference to the basis of such property in the hands of the transferee.

"(f) Statutory Mergers and Consolidations—If a corporation owns stock in another corporation and such corporations are merged or consolidated in a statutory merger or consolidation, then for the purposes of this section and section 718 such stock shall be considered to have been acquired (in such statutory merger or consolidation) by the corporation resulting from the statutory merger or consolidation, and the properties of such other corporation attributable to such stock to have been received by such resulting corporation as a transferee from such other corporation as a transferor in an intercorporate liquidation.

"(g) Determinations—

"(1) Regulations—Any determination which is required to be made under this section (including determinations in applying this section in cases where there is a series of transferees of the property and cases where the stock of the transferor is acquired by the transferee from another corporation, and the determinations of the basis and adjusted basis which property or items thereof have or are considered to have) shall be made in accordance with regulations which shall be prescribed by the Commissioner with the approval of the Secretary. If the transferor or the transferee is a foreign corporation, the provisions of this section shall apply to such extent and under such conditions and limitations as may be provided in such regulations.

"(2) Application to liquidation extending over long period—The Commissioner is authorized to prescribe rules similar to those provided in this section with respect to the days within the period beginning with the date on which the first property is received in the intercorporate liquidation and ending with the day of its completion; and the extent to which, and the conditions and limitations under which, such rules are to be applicable."

(b) Technical Amendment—

(1) Section 718 (d) is amended to read as follows:

"(d) For special rules affecting computation of property paid in for stock in connection with certain exchanges and liquidations, see Supplement C."

(2) Section 719 (a) (1) is amended by striking out ", and not including indebtedness described in section 751 (b) relating to certain exchanges".

(c) Previous Rules Terminated—Section 718 (a) (5) (relating to increase in equity invested capital on account of gain on tax-free liquidation), section 718 (b) (4) (relating to reduction in equity invested capital on account of loss on tax-free liquidation), and section 718 (c) (4) (relating to property paid in for stock on merger or consolidation) shall not apply with respect to any taxable year beginning after December 31, 1941.

(d) Optional Retroactivity of Amendments to 1940 and 1941—The amendments made by this section, inserting section 760 and section 761, shall also be applicable in the computation of the tax for all taxable years beginning after December 31, 1939, if the taxpayer, within the time and in the manner and subject to such regulations as the Commissioner, with the approval of the Secretary, prescribes, elects to have either or both of such amendments apply. For any taxable year for which the provisions of section 760 are applied retroactively, the amendment made by subsection (b) (2) of this section to section 719 (a) (1) shall also apply. In case the provisions of section 761 are applied retroactively, the provisions of section 718 (a) (5), section 718 (a) (4), and section 718 (c) (4) shall not apply in such computations.

PART II—POST-WAR REFUND OF EXCESS PROFITS TAX

SEC. 250. Post-War Refund of Excess Profits Tax.

Subchapter E of Chapter 2 is amended by inserting at the end thereof the following new Part:

"PART III—POST-WAR REFUND OF EXCESS PROFITS TAX

"SEC. 780. Post-War Refund of Excess Profits Tax

"(a) In General—The Secretary of the Treasury is authorized and directed to establish a credit to the account of each taxpayer subject to the tax imposed under this subchapter, for each taxable year ending after December 31, 1941 (except in the case of a taxable year beginning in 1941 and ending before July 1, 1942), and not beginning after the date of cessation of hostilities in the present war, of an amount equal to 10 per centum of the tax imposed under this subchapter for each such taxable year. For the purposes of this part, in the case of a taxpayer whose tax is determined under section 710 (a) (3), the term "tax imposed under this subchapter" means the excess of the tax imposed by such section 710 (a) (3) over the tax that would be imposed if such section 710 (a) (3) were not applicable.

"(b) Application of Credit to Purchase of Bonds—Within three months after the payment of the amount of the excess profits tax shown on the return for a taxable year to which subsection (a) applies, if the payment is made before three months before the date of maturity of bonds for such year under subsection (c), there shall be issued to and in the name of the taxpayer bonds of the United States in an aggregate amount equal to 10 per centum of the tax paid in respect of which a credit is provided under subsection (a), and the credit established under subsection (a) for such taxable year is hereby made available for the purchase of such bonds.

"(c) Terms and Maturity of Bonds—The bonds provided for in subsection (a) shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which bonds may be issued under such Act are extended to include the purposes for which bonds are required to be issued under this section. Such bonds shall bear no interest, shall be nonnegotiable, and shall not be transferable by sale, exchange, assignment, pledge, hypothecation, or otherwise, on or before the date of cessation of hostilities in the present war, but after said date, such bonds shall be negotiable, and may be sold, exchanged, pledged, assigned, hypothecated, or otherwise transferred, without restriction, and shall be redeemable (at the option of the United States) in whole or in part upon three months' notice. Such bonds for any taxable year to which this section applies shall mature on the last day of that calendar year, beginning after the date of cessation of hostilities in the present war, which is shown in the following table to be applicable to such bonds for such year:

Bonds purchased with the credit for any taxable year beginning	Calendar year (beginning after cessation of hostilities) on last day of which bonds mature
Within the calendar year 1941 or 1942	2nd
Within the calendar year 1943	3rd
Within the calendar year 1944	4th
After December 31, 1944	5th

"(d) Exemption of Proceeds From Tax—The proceeds of any such bond upon redemption shall not be included in gross income.

"(e) Date of Cessation of Hostilities in the Present War—As used in this section, the term 'date of cessation of hostilities in the present war' means the date on which hostilities in the present war between the United States and the governments of Germany, Japan, and Italy cease, as fixed by the proclamation of the President or by concurrent resolution of the two Houses of Congress, whichever date is earlier, or in case the hostilities between the United States and such governments do not cease at the same time, such date as may be so fixed as an appropriate date for the purposes of this section.

"SEC. 781. Special Rules for Application of Section 780.

"(a) Effect of Deficiencies—If a deficiency in respect of the excess profits tax for any taxable year for which a credit is provided in section 780 (a) is paid by the taxpayer before three months before the date of maturity of the bonds for such year, an amount of such credit equal to 10 per centum of the excess of the tax imposed by this subchapter on the basis of which the deficiency was determined, over the tax imposed by this subchapter as previously computed and paid shall be available, as provided in section 780 (b), for the purchase of bonds as provided under such section, and there shall be issued to the taxpayer bonds under such section in an amount equal to such excess and with the same maturity as in the case of bonds issued with respect to the taxable year with respect to which the deficiency is determined.

"(b) Effect of Refunds—If an overpayment of the tax imposed by this subchapter for any taxable year for which a credit is provided in section 780 (a) is refunded or credited to the taxpayer under the internal revenue laws, the credit, if any, provided in such section then existing in favor of the taxpayer shall be reduced by an amount equal to 10 per centum of the excess of the tax imposed by this subchapter on the basis of which such tax (in respect of which the internal revenue refund or credit was made) was previously computed and paid, over the tax imposed by this subchapter as determined in connection with the determination of the amount of the overpayment. In such a case, if such credit provided in section 780 (a) is less than the amount by which it is required to be reduced, or if there is no such credit then existing in favor of the taxpayer, the excess of such amount over the amount of such credit, if any, shall be carried forward as a charge against the taxpayer to be applied in reduction of a subsequent credit under section 780 (a); and if no such subsequent credit is made in favor of the taxpayer, the amount of such charge (without interest) shall be paid by the taxpayer to the United States or the amount of bonds previously issued to the taxpayer under section 780 (b) shall be adjusted on account of such charge.

"(c) Tax Payments After Cut-off Date—In the case of a payment of the tax imposed by this subchapter shown on the return for any taxable year for which a credit is provided in section 780 (a), or the payment of a deficiency in respect of such tax for any such taxable year, after the date prescribed in section 780 (b) or 781 (a) but before the date of maturity of the bonds with respect to such taxable year under section 780 (c), the amount of the credit under section 780 (a) for such taxable year attributable to such payment shall, so far as practicable, be available, as provided in section 780 (b), for the purchase of bonds as provided under such section, and, so far as practicable, there shall be issued to the taxpayer bonds under such section with the same maturity as bonds issued with respect to such taxable year. To the extent that it is not practicable to issue bonds against such amount of the credit, the taxpayer shall be paid in cash. In case after the date of maturity of the bonds of any taxable year under section 780 (c) there is any credit under section 780 (a) remaining in favor of the taxpayer, attributable to such year, such remainder shall be paid to the taxpayer in cash. No amount of any payment made under this subsection to a taxpayer shall be included in gross income.

"(d) Limitation—The credit under section 780 (a) for any taxable year shall not be greater than the excess of the amount of the tax paid under this subchapter to the United States (and not credited or refunded under the internal revenue laws) in respect of such year over the amount of tax which would be payable to the United States if the excess profits tax rate were 81 per centum, or if the limitation of section 710 is applicable if the amount determined under such section were reduced by 10 per centum.

"SEC. 782. Regulations

"The Secretary of the Treasury is authorized to prescribe, from time to time, such rules and regulations as may be necessary to carry out the preceding provisions of this Part.

"SEC. 783. Credit for Debt Retirement

"(a) General Rule—An amount equal to 40 per centum of the amounts paid during the taxable year in repayment of the principal of indebtedness shall, at the election of the taxpayer made in its return for such year, be allowed as a credit against the tax for such year imposed by this subchapter.

"(b) Limitations—The credit under subsection (a) with respect to any taxable year shall in no event exceed whichever of the following amounts is the lesser—

"(1) An amount equal to 10 per centum of the tax imposed under this subchapter for the taxable year.

"(2) An amount equal to 40 per centum of the amount by which the smallest amount of indebtedness during the period beginning September 1, 1942, and ending with the close of the preceding taxable year exceeds the amount of indebtedness as of the close of the taxable year.

"(3) In case such taxable year begins in 1942 prior to September 2, 1942, and ends after September 1, 1942, an amount equal to 40 per centum of the amount by which the amount of indebtedness as of September 1, 1942, exceeds the amount of indebtedness as of the close of the taxable year.

"(4) In case such taxable year begins in 1941 or ends before September 1, 1942, zero.

No interest shall be allowed or paid by the United States on account of any overpayment of tax attributable to any credit allowed under this section.

"(c) Reduction of Credit and of Bonds Outstanding Under Section 780—If a credit is allowed for debt repayment in a taxable year pursuant to this section, the amount of such credit or refund shall be deducted from the credit under section 780 (a) and the amount of bonds issued under section 780 shall, to the extent necessary, be correspondingly adjusted.

"(d) Definition of Indebtedness—For the purposes of this section the term 'indebtedness' means any indebtedness of the taxpayer or for which the taxpayer is liable evidenced by a bond, note, debenture, bill of exchange, certificate, or other evidence of indebtedness, mortgage, or deed of trust."

TITLE III—CAPITAL STOCK AND DECLARED VALUE EXCESS PROFITS TAXES

SEC. 301. Capital Stock Tax

(a) Technical Amendment—Section 1200 (a) and (b) (relating to rate of capital stock tax) are amended by striking out the word "adjusted" wherever occurring therein.

(b) Annual Declaration of Value—Section 1202 (relating to declaration of value) is amended to read as follows:

"SEC. 1202. Declared Value

"(a) Declaration of Value—The declared value shall be the value as declared by the corporation in its return for the year (which declaration of value cannot be amended). The value declared by the corporation in its return shall be as of the close of its last income-tax taxable year ending with or prior to the close of the capital stock tax taxable year (or as of the date of organization in the case of a corporation having no income-tax taxable year ending with or prior to the close of such declaration year).

"(b) Credit for China Trade Act Corporations—For the purpose of the tax imposed by section 1200 there shall be allowed in the case of a corporation organized under the China Trade Act, 1922, 42 Stat. 849 (U. S. C., 1940 ed., title 15, ch. 4), as a credit against the declared value of its capital stock, an amount equal to the proportion of such declared value which the par value of the shares of stock of the corporation, owned on the last day of the taxable year by (1) persons resident in China, the United States, or possessions of the United States, and (2) individual citizens of the United States or China wherever resident, bears to the par value of the whole number of shares of stock of the corporation outstanding on such date. For the purposes of this subsection shares of stock of a corporation shall be considered to be owned by the person in whom the equitable right to the income from such shares is in good faith vested; and as used in this subsection the term 'China' shall have the same meaning as when used in the China Trade Act, 1922."

(c) Returns—The last sentence of section 1203 (b) (2) (relating to extensions of time for filing capital stock tax returns) is amended to read as follows: "With respect to the years ended June 30, 1941, and June 30, 1942, the extension may be for not more than ninety days."

(d) Prior Returns Effective—If a return for the year ended June 30, 1942, is filed under Chapter 6 of the Internal Revenue Code, without regard to the amendment thereof as made by this Act, the adjusted declared value reported by the corporation on such return (whether or not correct) shall constitute the declared value for the purposes of such Chapter 6, as amended by this Act, unless a different value is declared on a subsequent return for such year received within the prescribed filing period.

(e) Effective Date—This section shall be effective only with respect to the year ended June 30, 1942, and succeeding years.

SEC. 302. Declared Value Excess-Profits Tax

(a) Technical Amendments—

(1) Section 600 (relating to rate of declared value excess profits tax) is amended by striking out the word "adjusted" wherever occurring therein.

(2) Section 601 (relating to declared value) is amended by striking out the word "adjusted" wherever occurring therein.

(b) Effective Date—This section shall be effective only with respect to income-tax taxable years ending after June 30, 1942, and succeeding years.

SEC. 303. Declared Value Excess-Profits Tax for Taxable Years of Less Than Twelve Months

(a) Section 601 (relating to the adjusted declared value) is amended by striking out the last sentence thereof.

(b) Subchapter B of Chapter 2 is amended by inserting after section 604 the following new section:

"SEC. 605. Income-Tax Taxable Year of Less Than Twelve Months

"(a) General Rule—If the income-tax taxable year is a period of less than twelve months on account of a change in the accounting period of the taxpayer, the net income determined under section 602 for such income-tax taxable year (referred to in this section as the 'short taxable year') shall be placed on an annual basis by multiplying the amount thereof by the number of days in the twelve months ending with the close of the short taxable year and dividing by the number of days in the short taxable year. The tax shall be such part of the tax computed on such annual basis as the number of days in the short taxable year is of the number of days in the twelve months ending with the close of the short taxable year.

"(b) Exception — If the taxpayer establishes the amount of the tax under section 600 for the period of twelve months beginning with the first day of the short taxable year, computed as if such twelve-month period were an income-tax taxable year, under the law applicable to the short taxable year, and using the adjusted declared value applicable in determining the tax for such short taxable year, then the tax determined under subsection (a) for the short taxable year shall be reduced to an amount which is such part of the tax computed for the twelve-month period as the net income for the short taxable year is of the net income established for such twelve-month period. The taxpayer (other than a taxpayer to which the next sentence applies) shall compute the tax and file its return without the application of this subsection. If, prior to one year from the date of the beginning of the short taxable year, the taxpayer has disposed of substantially all its assets, in lieu of the twelve-month period provided in the preceding provision of this subsection, the twelve month period ending with the close of the short taxable year shall be used. For the purposes of this subsection, the net income for the short taxable year shall not be placed on an annual basis under the provisions of subsection (a), and the net income for the twelve-month period used shall in no case be considered less than the net income for the short taxable year. The benefits of this subsection shall not be allowed unless the taxpayer, at such time as regulations prescribed hereunder require, makes application therefor in accordance with such regulations, and such application, in the case of a taxpayer required to file return without regard to this subsection, shall be considered a claim for credit or refund. The Commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary for the application of this subsection."

(c) Taxable Years to Which Amendments Applicable —The amendments made by this section shall be applicable to taxable years beginning after December 31, 1939.

SEC. 304. Technical Amendments Made Necessary by Change in Base for Corporation Tax

Section 602 (relating to net income for purposes of the declared value excess-profits tax) is amended to read as follows:

"SEC. 602. Net Income

"For the purposes of this subchapter the net income shall be the same as the net income for income tax purposes for the year in respect of which the tax under section 600 is imposed, computed without the deduction of the tax imposed by section 600, but with a credit against net income equal to the credit for dividends received provided in section 26 (b) of Chapter 1."

TITLE IV—ESTATE AND GIFT TAXES

PART I—ESTATE TAX

SEC. 401. Estates to Which Amendments Applicable

Except as otherwise expressly provided, the amendments made by this Part shall be applicable only with respect to estates of decedents dying after the date of the enactment of this Act.

SEC. 402. Community Interests

(a) Transfers of Community Property in Contemplation of Death, Etc.—Section 811 (d) (relating to revocable transfers) is amended by adding at the end thereof the following new paragraph:

"(5) Transfers of community property in contemplation of death, etc.—For the purposes of this subsection and subsection (c), a transfer of property held as community property by the decedent and surviving spouse under the law of any State, Territory, or possession of the United States, or any foreign country, shall be considered to have been made by the decedent, except such part thereof as may be shown to have been received as compensation for personal services actually rendered by the surviving spouse or derived originally from such compensation or from separate property of the surviving spouse."

(b) General Rule—Section 811 (e) (relating to joint interests) is amended as follows:

(1) By striking out "(e) Joint Interests—" and inserting in lieu thereof

"(e) Joint and Community Interests—

"(1) Joint Interests—".

(2) By inserting at the end thereof the following new paragraph:

"(2) Community interests—To the extent of the interest therein held as community property by the decedent and surviving spouse under the law of any State, Territory, or possession of the United States, or any foreign country, except such part thereof as may be shown to have been received as compensation for personal services actually rendered by the surviving spouse or derived originally from such compensation or from separate property of the surviving spouse. In no case shall such interest included in the gross estate of the decedent be less than the value of such part of the community property as was subject to the decedent's power of testamentary disposition."

(c) Cross Reference—For treatment of life insurance acquired with community property, see amendment to section 811 (g) made by section 404 of this Act.

SEC. 403. Powers of Appointment

(a) General Rule—Section 811 (f) (relating to powers of appointment) is amended to read as follows:

"(f) Powers of Appointment—

"(1) In general—To the extent of any property (A) with respect to which the decedent has at the time of his death a power of appointment, or (B) with respect to which he has at any time exercised or released a power of appointment in contemplation of death, or (C) with respect to which he has at any time exercised or released a power of appointment by a disposition intended to take effect in possession or enjoyment at or after his death, or by a disposition under which he has retained for his life or any period not ascertainable without reference to his death or for any period which does not in fact end before his death (i) the possession or enjoyment of, or the right to the income from, the property, or (ii) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom; except in case of a bona fide sale for an adequate and full consideration in money or money's worth.

"(2) Definition of power of appointment—For the purposes of this subsection the term 'power of appointment' means any power to appoint exercisable by the decedent either alone or in conjunction with any person, except

"(A) a power to appoint within a class which does not include any others than the spouse of the decedent, spouse of the creator of the power, descendants of the decedent or his spouse, descendants (other than the decedent) of the creator of the power or his spouse, spouses of such descendants, donees described in section 812 (d), and donees described in section 861 (a) (3). As used in this subparagraph, the term 'descendant' includes adopted and illegitimate descendants, and the term 'spouse' includes former spouse; and

"(B) a power to appoint within a restricted class if the decedent did not receive any beneficial interest, vested or contingent, in the property from the creator of the power or thereafter acquire any such interest, and if the power is not exercisable to any extent for the benefit of the decedent, his estate, his creditors, or the creditors of his estate.

If a power to appoint is exercised by creating another power to appoint, such first power shall not be considered excepted under subparagraph (A) or (B) from the definition of power of appointment to the extent of the value of the property subject to such second power to appoint. For the purposes of the preceding sentence the value of the property subject to such second power to appoint shall be its value unreduced by any precedent or subsequent interest not subject to such power to appoint.

"(3) Date of existence of power—For the purposes of this subsection the power of appointment shall be considered to exist on the date of the decedent's death even though the exercise of the power is subject to a precedent giving of notice or even though the exercise of the power takes effect only on the expiration of a stated period after its exercise, whether or not on or before the date of the decedent's death notice has been given or the power has been exercised."

(b) Deductions for Charitable, Etc., Use—

(1) Amendments to section 812 (d)—Section 812 (d) (relating to deduction in case of estates of citizens or residents) is amended by inserting after the first sentence the following new sentence: "Property includible in the decedent's gross estate under section 811 (f) received by a donee described in this subsection shall, for the purposes of this subsection, be considered a bequest of such decedent."

(2) Amendment to section 861 (a) (3)—Section 861 (a) (3) (relating to deduction in case of estates of nonresidents not citizens) is amended by inserting after the first sentence the following new sentence: "Property includible in the decedent's gross estate under section 811 (f) received by a donee described in this paragraph shall, for the purposes of this paragraph, be considered a bequest of such decedent."

(c) Liability of Recipient of Property Over Which Decedent Had Power of Appointment—Section 826 (relating to collection of unpaid tax) is amended by adding at the end thereof the following new subsection:

"(d) Liability of Recipient of Property Over Which Decedent Had Power of Appointment—Unless the decedent directs otherwise in his will, if any part of the gross estate upon which the tax has been paid consists of the value of property included in the gross estate under section 811 (f), the executor shall be entitled to recover from the person receiving such property by reason of the exercise, nonexercise, or release of a power of appointment such portion of the total tax paid as the value of such property bears to the sum of the net estate and the amount of the exemption allowed in computing the net estate, determined under section 935 (c), or section 861, as the case may be. If there is more than one such person the executor shall be entitled to recover from such persons in the same ratio."

(d) Powers With Respect to Which Amendments Not Applicable—

(1) The amendments made by this section shall not apply with respect to a power to appoint, created on or before the date of the enactment of this Act, which is other than a power exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate, unless such power is exercised after the date of the enactment of this Act.

(2) The amendments made by this section shall not become applicable with respect to a power to appoint created on or before the date of enactment of this Act, which is exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate, if at such date the donee of such power is under a legal disability to release such power, until six months after the termination of such legal disability. For the purposes of the preceding sentence, an individual in the military or naval forces of the United States shall, until the termination of the present war, be considered under a legal disability to release a power to appoint.

(3) The amendments made by this section shall not apply with respect to any power to appoint created on or before the date of the enactment of this Act if it is released before January 1, 1943, or within the time limited by paragraph (2) in cases to which such paragraph is applicable; or if the decedent dies before January 1, 1943, or within the time limited by paragraph (2) in cases to which such paragraph is applicable, and such power is not exercised.

SEC. 404. Proceeds of Life Insurance

(a) General Rule—Section 811 (g) (relating to life insurance) is amended to read as follows:

"(g) Proceeds of Life Insurance—

"(1) Receivable by the Executor—To the extent of the amount receivable by the executor as insurance under policies upon the life of the decedent.

"(2) Receivable by Other Beneficiaries—To the extent of the amount receivable by all other beneficiaries as insurance under policies upon the life of the decedent (A) purchased with premiums, or other consideration, paid directly or indirectly by the decedent, in proportion that the amount so paid by the decedent bears to the total premiums paid for the insurance, or (B) with respect to which the decedent possessed at his death any of the incidents of ownership, exercisable either alone or in conjunction with any other person. For the purposes of clause (A) of this paragraph, if the decedent transferred, by assignment or otherwise, a policy of insurance, the amount paid directly or indirectly by the decedent shall be reduced by an amount which bears the same ratio to the amount paid directly or indirectly by the decedent as the consideration in money or money's worth received by the decedent for the transfer bears to the value of the policy at the time of the transfer. For the purposes of clause (B) of this paragraph, the term 'incident of ownership' does not include a reversionary interest.

"(3) Transfer Not a Gift—The amount receivable under a policy of insurance transferred, by assignment or otherwise, by the decedent shall not be includible under paragraph (2) (A) if the transfer did not constitute a gift, in whole or in part, under Chapter 4, or, in case the transfer was made at a time when Chapter 4 was not in effect, would not have constituted a gift, in whole or in part, under such chapter had it been in effect at such time.

"(4) Community Property—For the purposes of this subsection, premiums or other consideration paid with property held as community property by the insured and surviving spouse under the law of any State, Territory, or possession of the United States, or any foreign country, shall be considered to have been paid by the insured, except such part thereof as may be shown to have been received as compensation for personal services actually rendered by the surviving spouse or derived originally from such compensation or from separate property of the surviving spouse; and the term 'incidents of ownership' includes incidents of ownership possessed by the decedent at his death as manager of the community."

(b) Liability of Life Insurance Beneficiaries—Section 826 (c) (relating to apportionment of liability of beneficiaries) is amended to read as follows:

"(c) Liability of Life Insurance Beneficiaries—Unless the decedent directs otherwise in his will, if any part of the gross estate upon which tax has been paid consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds of such policies bear to the sum of the net estate and the amount of the exemption allowed in computing the net estate, determined under section 935 (c). If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ration."

(c) Decedents to Which Amendments Applicable—The amendments made by subsection (a) shall be applicable only to estates of decedents dying after the date of the enactment of this Act; but in determining the proportion of the premiums or other consideration paid directly or indirectly by the decedent (but not the total premiums paid) the amount so paid by the decedent on or before January 10, 1941, shall be excluded if at no time after such date the decedent possessed an incident of ownership in the policy.

SEC. 405. Deductions not Allowable in Excess of Certain Property of Estate

(a) General Rule—Section 812 (b) (relating to estate tax deductions) is amended by inserting after the second sentence the following new sentences: "There shall be disallowed the amount by which the deductions specified in paragraphs (1), (2), (3), (4), and (5) exceed the value, at the time of the decedent's death, of property subject to claims. For the purposes of this section the term 'property subject to claims' means property includible in the gross estate of the decedent which, or the avails of which, would, under the applicable law, bear the burden of the payment of such deductions in the final adjustment and settlement of the estate; and, for the purposes of this definition, the value of the property shall be reduced by the amount of the deduction under the next sentence attributable to such property."

(b) Prior Taxed Property—The second sentence of the second paragraph of section 812 (c) (relating to deduction for prior taxed property) is amended to read as follows: "The deduction under this subsection shall be reduced by an amount which bears the same ratio to the amounts allowed as deductions under subsections (a) and (d) and the amounts of general claims allowed as deductions under subsection (b) as the amount otherwise deductible under this subsection bears to property subject to general claims. If the property includible in the gross estate to which the deduction under this subsection is attributable is not wholly property subject to general claims—

"(1) before the application of the preceding sentence, the amount of the deduction under this subsection shall be reduced by that part of such amount as the value, at the time of the decedent's death, of such property (to which such deduction is attributable) subject to claims but not to general claims is of the value, at the time of the decedent's death, of such property, and

"(2) in the application of the preceding sentence in reducing the balance, if any, of such deduction, 'the amount otherwise deductible under this subsection' shall be only that part of such amount otherwise deductible (determined without regard to clause (1) of this paragraph) as the value, at the time of the decedent's death, of such property (to which such deduction is attributable) subject to general claims is of the value, at the time of the decedent's death, of such property.

For the purposes of the two preceding sentences and this sentence, 'general claims' are the amounts allowed as deductions under subsection (b) which, under the applicable law, in the final adjustment and settlement of the estate may be enforced against any property subject to claims, as defined in subsection (b), and 'property subject to general claims' is the value, at the time of the decedent's death, of property subject to claims, as defined in subsection (b), reduced by the value at the time of the decedent's death, of that part of such property against which amounts allowed as deductions under subsection (b) which are not general claims may be enforced, under the applicable law, in the final adjustment and settlement of the estate."

(c) Prior Taxed Property of Nonresidents Not Citizens—The next to the last sentence of section 861 (a) (2) (relating to deduction for prior taxed property of nonresidents not citizens of the United States) is amended to read as follows: "The deduction under this paragraph shall be reduced by an amount which bears the same ratio to the amounts allowed as deductions under paragraphs (3) and (4) and the amount of general claims allowed as deduction under paragraph (1) of this subsection as the amount otherwise deductible under this paragraph bears to property subject to general claims. If the property includible in the gross estate to which the deduction under the paragraph is attributable is not wholly property subject to general claims—

"(A) before the application of the preceding sentence, the amount of the deduction under this paragraph shall be reduced by that part of such amount as the value, at the time of the decedent's death, of such property (to which such deduction is attributable) subject to claims but not to general claims is of the value, at the time of the decedent's death, of such property, and

"(B) in the application of the preceding sentence in reducing the balance, if any, of such deduction, 'the amount otherwise deductible under this paragraph' shall be only that part of such amount otherwise deductible (determined without regard to subparagraph (A) as the value, at the time of the decedent's death, of such property (to which such deduction is attributable) subject to general claims is of the value, at the time of the decedent's death, of such property.

For the purposes of the two preceding sentences and this sentence, 'general claims' are the amounts allowed as deductions under paragraph (1) of this subsection which, under the applicable law, in the final adjustment and settlement of the estate may be enforced against that part of any property subject to claims, as defined in subsection (b) of section 812 which at the time of the decedent's death is in the United States, and 'property subject to general claims' is the value, at the time of the decedent's death, of such property subject to claims, reduced by the value, at the time of the decedent's death, of that part of such property subject to claims against which amounts allowed as deductions under paragraph (1) of this subsection which are not general claims may be enforced, under the applicable law, in the final adjustment and settlement of the estate."

SEC. 406. Charitable Pledges

(a) Pledges in Case of Citizens—Section 812 (b) (relating to deductions in computing net estate) is amended by inserting before the period at the end of the second sentence thereof the following: "; except that in any case in which any such claim is founded upon a promise or agreement of the decedent to make a contribution or gift to or for the use of any donee described in subsection (d) for the purposes specified therein, the deduction for such claim shall not be so limited, but shall be limited to the extent that it would be allowable as a deduction under subsection (d) if such promise or agreement constituted a bequest."

(b) Pledges by Nonresidents Not Citizens—Section 861 (a) (1) (relating to deductions in computing net estate) is amended to read as follows:

"(1) Expenses, Losses, Indebtedness, and Taxes—That proportion of the deductions specified in section 812 (b) (other than the deductions described in the following sentence) which the value of such part bears to the value of his entire gross estate, wherever situated. Any deduction allowable under section 812 (b) in the case of a claim against the estate which was founded upon a promise or agreement but was not contracted for an adequate and full consideration in money or money's worth shall be allowable under this paragraph to the extent that it would be allowable as a deduction under paragraph (3) if such promise or agreement constituted a bequest."

SEC. 407. Deduction on Account of Property Previously Taxed

(a) Amendments to Internal Revenue Code Provisions Relating to Property Previously Taxed—

(1) The first paragraph of section 812 (c) is amended to read as follows:

"(c) Property Previously Taxed—An amount equal to the value of any property (1) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (2) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from the donor by gift, or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. Property includible in the gross estate of the prior decedent under section 811 (f) and property included in total gifts of the donor under section 1000 (c) received by the decedent described in this subsection shall, for the purposes of this subsection, be considered a bequest of such prior decedent or gift of such donor. This deduction shall be allowed only where a gift tax imposed under Chapter 4, or under Title III of the Revenue Act of 1932, 47 Stat. 245, or an estate tax imposed under this chapter or any prior Act of Congress, was finally determined and paid by or on behalf of such donor, or the estate of such prior decedent, as the case may be, and only in the amount finally determined as the value of such property in determining the value of the gift, or the gross estate of such prior decedent, and only to the extent that the value of such property is included in the decedent's gross estate, and only if in determining the value of the net estate of the prior decedent no deduction was allowable under this subsection, section 861 (a) (2), or the corresponding provisions of any prior Act of Congress, in respect of the property or property given in exchange therefor."

(2) The first sentence of the second paragraph of section 812 (c) is amended to read as follows:

"Where a deduction was allowed of any mortgage or other lien in determining the gift tax, or the estate tax of the prior decedent, which was paid in whole or in part prior to the decedent's death, then the deduction allowable under this subsection shall be reduced by the amount so paid."

(3) The first two sentences of section 861 (a) (2) are amended to read as follows:

"(2) Property Previously Taxed — An amount equal to the value of any property (A) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (B) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from the donor by gift, or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. Property includible in the gross estate of the prior decedent under section 811 (f) and property included in total gifts of the donor under section 1000 (c) received by the decedent described in this paragraph shall, for the purposes of this paragraph, be considered a bequest of such prior decedent or gift of such donor. This deduction shall be allowed only where a gift tax imposed under Chapter 4, or under Title III of the Revenue Act of 1932, 47 Stat. 245, or an estate tax imposed under this chapter or any prior Act of Congress, was finally determined and paid by or on behalf of such donor, or the estate of such prior decedent, as the case may be, and only in the amount finally determined as the value of such property in determining the value of the gift, or the gross estate of such prior decedent, and only to the extent that the value of such property is included in that part of the decedent's gross estate which at the time of his death is situated in the United States, and only if in determining the value of the net estate of the prior decedent no dededuction was allowable under this paragraph, section 812 (c), or the corresponding provisions of any prior Act of Congress, in respect of the property or property given in exchange therefor."

(b) Amendments to Revenue Act of 1926 Relating to Property Previously Taxed—

(1) The second sentence of section 303 (a) (2) of the Revenue Act of 1926, as amended, is amended by striking out "this" following "estate tax imposed under" and inserting in lieu thereof "the Revenue Act of 1932."

(2) The second sentence of section 303 (b) (2) of the Revenue Act of 1926, as amended, is amended by striking out "this" following "estate tax imposed under" and inserting in lieu thereof "the Revenue Act of 1932."

(c) Effective Dates—

(1) The amendments made by subsection (a) (1) shall be applicable to estates of decedents dying after the date of enactment of this Act, except that the reference therein to "an estate tax imposed under this chapter or any prior Act of Congress," shall be applicable with respect to estates of decendents dying after February 10, 1939.

(2) The amendment made by subsection (a) (2) shall be applicable with respect to estates of decedents dying after February 10, 1939.

(3) The amendments made by subsection (a) (3) shall be applicable to estates of decedents dying after the date of enactment of this Act, except that the reference therein to "an estate tax imposed under this chapter or any prior Act of Congress," shall be applicable with respect to estates of decedents dying after February 10, 1939.

(4) The amendments made by subsection (b) shall be applicable with respect to estates of decedents dying after the date of enactment of the Revenue Act of 1932.

(d) Overpayments—If the refund or credit of any overpayment to the extent resulting from the application of subsections (a), (b), and (c) of this section, is prevented on the date of enactment of this Act or within one year from such date, then, notwithstanding any other provision of law or rule of law (other than this subsection of this section and other than section 3761 of the Internal Revenue Code or section 3229 of the Revised Statutes, or such section as amended by section 815 of the Revenue Act of 1938, relating to compromises), such overpayment shall be refunded or credited in the same manner as in the case of an estate tax erroneously collected if claim therefor is filed within one year from the date of enactment of this Act.

SEC. 408. Deduction for Disclaimed Legacies Passing To Charities

(a) Deduction in Case of Citizens and Residents—The first sentence of section 812 (d) (relating to the deduction for charitable, etc., bequests) is amended by inserting after "The amount of all bequests, legacies, devises or transfers" the following: "(including the interest which falls into any such bequest, legacy, devise, or transfer as a result of an irrevocable disclaimer of a bequest, legacy, devise, transfer, or power, if the disclaimer is made prior to the date prescribed for the filing of the estate tax return)".

(b) Deduction in Case of Nonresidents Not Citizens—The first sentence of section 861 (a) (3) (relating to the deduction for charitable, etc., bequests) is amended by inserting after "The amount of all bequests, legacies, devises, or transfers" the following: "(including the interest which falls into any such bequest, legacy, devise, or transfer as a result of an irrevocable disclaimer of a bequest, legacy, devise, transfer, or power, if the disclaimer is made prior to the date prescribed for the filing of the estate tax return)".

(c) Estates With Respect to Which Amendements Applicable—The amendments made by this section shall be applicable to estates of decedents dying after February 10, 1939.

SEC. 409. Denial of Deduction on Bequest to Certain Propaganda Organizations

(a) Citizens and Residents—Section 812 (d) (relating to deduction for bequests, etc., to charity) is amended by inserting before the period at the end of the first sentence the following: ", and no substantial part of the activities of such trustee or trustees, or of such fraternal society, order, or association, is carrying on propaganda, or otherwise attempting, to influence legislation."

(b) Nonresidents Not Citizens—Section 861 (a) (3) (relating to deduction for bequests, etc., to charity) is amended by inserting before the period at the end of the first sentence the following: ", and no substantial part of the activities of such trustee or trustees, or of such fraternal society, order, or association, is carrying on propaganda, or otherwise attempting, to influence legislation".

SEC. 410. Priority of Credit for Local Death Taxes

(a) Amendment to Credit for 1924 Gift Tax—Section 813 (a) (1) (relating to credit for estate tax of gift tax paid under 1924 Act) is amended by inserting after "subchapter" where it occurs the second time the following: "(after deducting from such tax the credit provided by section 813 (b))".

(b) Amendment to Credit for 1932 and Chapter 4 Gift Tax—Section 813 (a) (A) (relating to credit for estate tax of gift tax paid under 1932 Act or Chapter 4) is amended by inserting after "360" where it occurs the second time the following: "(after deducting from such tax the credits provided by section 813 (a) (1) and (b))".

(c) 80 Per Centum Limit on Local Death Tax Computed Before Allowance of Gift Tax Credit—Section 813 (b) (relating to credit for local estate, succession, legacy, and inheritance taxes) is amended by striking out "(after deducting from such tax the credits provided by section 813 (a) (2))" and inserting in lieu thereof "(before deducting from such tax the credits provided by section 813 (a) (1) and (2))".

SEC. 411. Liability of Certain Transferees

(a) Imposition of Liability—Section 827 (b) is amended to read as follows:

"(b) Liability of Transferee, Etc.—If the tax herein imposed is not paid when due, then the spouse, transferee, trustee, surviving tenant, person in possession of the property by reason of the exercise, nonexercise, or release of a power of appointment, or beneficiary, who receives, or has on the date of the decedent's death, property included in the gross estate under section 811 (b), (c), (d), (e), (f), or (g), to the extent of the value, at the time of the decedent's death, of such property, shall be personally liable for such tax. Any part of such property sold by such spouse, transferee, trustee, surviving tenant, person in possession of property by reason of the exercise, nonexercise, or release of a power of appointment, or beneficiary, to a bona fide purchaser for an adequate and full consideration in money or money's worth shall be divested of the lien provided in section 827 (a) and a like lien shall then attach to all the property of such spouse, transferee, trustee, surviving tenant, person in possession, or beneficiary, except any part sold to a bona fide purchaser for an adequate and full consideration in money or money's worth."

(b) Definition of Transferee—Section 900 (e) is amended to read as follows:

"(e) Definition of 'Transferee'—As used in this section, the term 'transferee' includes heir, legatee, devisee, and distributee, and includes a person who, under section 827 (b), is personally liable for any part of the tax."

SEC. 412. Exemption of Estates of Nonresidents Not Citizens

(a) Exemption—Section 861 (a) (relating to deductions in case of estates of nonresidents not citizens) is amended by inserting at the end thereof the following new paragraph:

"(4) Exemption—An exemption of $2,000."

(b) Technical Amendment With Respect to Property Previously Taxed—For technical amendment with respect to property previously taxed, see section 405 (c) of this Act.

(c) Returns—Section 864 (a) (1) (relating to returns of executors of estates of nonresidents not citizens) is amended to read as follows:

> "(1) Returns by executor—In the case of the estate of every nonresident not a citizen of the United States any part of whose gross estate situated in the United States exceeds the amount of the specific exemption provided in section 861 (a) (4), the executor shall make a return under oath in duplicate, setting forth (A) the value of that part of the gross estate of the decedent situated in the United States at the time of his death; (B) the deductions allowed under section 861; (C) the value of the net estate of the decedent as defined in section 861; (D) the tax paid or payable thereon; or such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct tax."

SEC. 413. Period for Filing Petition Extended in Certain Cases

(a) Period Extended—Section 871 (a) (1) (relating to period for filing petition with Board of Tax Appeals) is amended by inserting at the end thereof the following new sentence: "If the notice is addressed to an executor outside the States of the Union and the District of Columbia, the period specified in this paragraph shall be one hundred and fifty days in lieu of ninety days."

(b) Effective Date—The amendment made by this section shall be applicable with respect to notices of deficiency mailed after the date of the enactment of this Act.

SEC. 414. Specific Exemption

(a) Amount of Exemption—Section 935 (c) (relating to the exemption for the purposes of the additional estate tax) is amended by striking out "$40,000" and inserting in lieu thereof "$60,000".

(b) Technical Amendment—The first sentence of section 826 (c) (relating to liability of life insurance beneficiaries) is amended by striking out ", in excess of $40,000,".

SEC. 415. Overpayment Found by Board

The second sentence of section 912 (relating to overpayment found by the Board of Tax Appeals) is amended by striking out "or the filing of the petition" and inserting in lieu thereof "or the mailing of the notice of deficiency".

PART II—GIFT TAX

SEC. 451. Gifts to Which Amendments Applicable

Except as otherwise expressly provided, the amendments made by this Part shall be applicable only with respect to gifts made in the calendar year 1943, and succeeding calendar years.

SEC. 452. Powers of Appointment

(a) General Rule—Section 1000 (relating to imposition of gift tax) is amended by inserting at the end thereof the following new subsection:

"(c) Powers of Appointment—An exercise or release of a power of appointment shall be deemed a transfer of property by the individual possessing such power. For the purposes of this subsection the term 'power of appointment' means any power to appoint exercisable by an individual either alone or in conjunction with any person, except—

> "(1) a power to appoint within a class which does not include any others than the spouse of such individual, spouse of the creator of the power, descendants of such individual or his spouse, descendants (other than such individual) of the creator of the power or his spouse, spouses of such descendants, donees described in section 1004 (a) (2), and donees described in section 1004 (b). As used in this paragraph, the term 'descendant' includes adopted and illegitimate descendants, and the term 'spouse' includes former spouse; and
>
> "(2) a power to appoint within a restricted class if such individual did not receive any beneficial interest, vested or contingent, in the property from the creator of the power or thereafter acquire any such interest, and if the power is not exercisable to any extent for the benefit of such individual, his estate, his creditors, or the creditors of his estate.

If a power to appoint is exercised by creating another power to appoint, such first power shall not be considered excepted under paragraph (1) or (2) from the definition of power of appointment to the extent of the value of the property subject to such second power to appoint. For the purposes of the preceding sentence the value of the property subject to such second power to appoint shall be its value unreduced by any precedent or subsequent interest not subject to such power to appoint."

(b) Powers With Respect to Which Amendments Not Applicable—

> (1) The amendments made by this section shall not apply with respect to a power to appoint, created on or before the date of enactment of this Act, which is other than a power exercisable in favor of the donee of the power, his estate, his creditors, or the creditors of his estate, unless such power is exercised after the date of enactment of this Act.
>
> (2) The amendments made by this section shall not become applicable with respect to a power to appoint created on or before the date of enactment of this Act, which is exercisable in favor of the donee of the power, his estate, his creditors, or the creditors of his estate, if at such date the donee of such power is under a legal disability to release such power, until six months after the termination of such legal disability. For the purposes of the preceding sentence, an individual in the military or naval forces of the United States shall, until the termination of the present war, be considered under a legal disability to release a power to appoint.

(c) Release on or Before January 1, 1943—

> (1) A release of a power to appoint before January 1, 1943, shall not be deemed a transfer of property by the individual possessing such power.
>
> (2) This subsection shall apply to all calendar years prior to 1943.

SEC. 453. Gifts of Community Property

Section 1000 (relating to tax on gifts) is amended by inserting at the end thereof the following new subsection:

"(d) Community Property—All gifts of property held as community property under the law of any State, Territory, or possession of the United States, or any foreign country shall be considered to be the gifts of the husband except that gifts of such property as may be shown to have been received as compensation for personal services actually rendered by the wife or derived originally from such compensation or from separate property of the wife shall be considered to be gifts of the wife."

SEC. 454. Exclusion from Net Gifts Reduced

Section 1003 (b) (2) (relating to exclusion of gifts) is amended to read as follows:

> "(2) Gifts after 1938 and prior to 1943—In the case of gifts (other than gifts in trust or of future interests in property) made to any person by the donor during the calendar year 1939 and subsequent calendar years prior to 1943, the first $4,000 of such gifts to such person shall not, for the purposes of subsection (a), be included in the total amount of gifts made during such year.
>
> "(3) Gifts after 1942—In the case of gifts (other than gifts of future interests in property) made to any person by the donor during the calendar year 1943 and subsequent calendar years, the first $3,000 of such gifts to such person shall not, for the purposes of subsection (a), be included in the total amount of gifts made during such year."

SEC. 455. Specific Exemption of Gifts Reduced

That part of section 1004 which precedes pargraph (2) of subsection (a) is amended to read as follows:

"SEC. 1004. Deductions

"In computing net gifts for the calendar year 1942 and preceding calendar years, there shall be allowed (except as otherwise provided in paragraph (1) of subsection (a)) such deductions as are provided for under the gift tax laws applicable to the years in which the gifts were made.

"In computing net gifts for the calendar year 1943 and subsequent calendar years, there shall be allowed as deductions:

"(a) Residents—In the case of a citizen or resident—

> "(1) Specific exemption—An exemption of $30,000, less the aggregate of the amounts claimed and allowed as specific exemption in the computation of gift taxes for the calendar year 1932 and all calendar years intervening between that calendar year and the calendar year for which the tax is being computed under the laws applicable to such years. This exemption shall be applied in all computations in respect of the calendar year 1942 and previous calendar years for the purpose of computing the tax for the calendar year 1943 or any calendar year thereafter."

SEC. 456. Period for Filing Petition Extended in Certain Cases

(a) Period Extended—Section 1012 (a) (1) (relating to period for filing petition with Board of Tax Appeals) is amended by inserting at the end thereof the following new sentence: "If the notice is addressed to a donor outside the States of the Union and the District of Columbia, the period specified in this paragraph shall be one hundred and fifty days in lieu of ninety days."

(b) Effective Date — The amendment made by this section shall be applicable with respect to notices of deficiency mailed after the date of the enactment of this Act.

SEC. 457. Overpayment Found by Board

The second sentence of section 1027 (d) (relating to overpayment found by the Board of Tax Appeals) is amended by striking out "or the filing of the petition" and inserting in lieu thereof "or the mailing of the notice of deficiency".

SEC. 458. Definition of Property in United States

(a) Technical Amendment to Definition—Section 1030 (b) is amended to read as follows:

"(b) Property Within the United States—Stock in a domestic corporation owned and held by a nonresident not a citizen of the United States shall be deemed property situated within the United States."

(b) Effective Date of Amendment—The amendment made by this section shall be effective as of February 10, 1939.

TITLE V—AMENDMENTS TO PRIOR REVENUE ACTS AND MISCELLANEOUS PROVISIONS

SEC. 501. Additional Credits for Undistributed Profits Tax

(a) Amendments to the Revenue Act of 1936—

> (1) Section 14 (a) (2) of the Revenue Act of 1936 (relating to definition of undistributed net income) is amended to read as follows:
>
> "(2) The term 'undistributed net income' means the adjusted net income minus the sum of (A) the dividend paid credit provided in section 27, (B) the credit provided in section 26 (c) relating to restrictions on payment of dividends, (C) except in cases where section 26 (c) (1) is applicable, the deficit credit provided in section 26 (f), and (D) the redemption credit provided in section 26 (g)."
>
> (2) Section 26 (c) of the Revenue Act of 1936 (relating to credits of corporations) is amended by amending the heading to read as follows: "(c) Restrictions on Payment of Dividends—"; and by amending paragraph (3) to read as follows:
>
> "(3) Deficit Corporations—In the case of a corporation having a deficit in accumulated earnings and profits as of the close of the preceding taxable year, the amount of such deficit, if the corporation is prohibited by a provision of a law or of an order of a public regulatory body from paying dividends during the existence of a deficit in accumulated earnings and profits, and if such provision was in effect prior to May 1, 1936.
>
> "(4) Double credit not allowed—If more than one of the credits provided in the foregoing paragraphs (1), (2), and (3) apply, then the paragraph which allows the greatest credit shall be applied; and, if

the credit allowable under each paragraph is the same, only one of such paragraphs shall be applied."

(3) Section 26 of the Revenue Act of 1936 (relating to credits of corporations) is amended by adding at the end thereof the following new subsections:

"(f) Deficit Credit—The amount by which the adjusted net income exceeds the sum of (1) the earnings and profits accumulated after February 28, 1913, as of the beginning of the taxable year, and (2) the earnings and profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year). For the purposes of this subsection, earnings and profits of the taxable year shall be computed without diminution by the amount of the tax imposed under section 14, 102, 103, or 351 for such taxable year; and earnings and profits accumulated after February 28, 1913, as of the beginning of the taxable year, shall be diminished on account of the tax under section 14, 102, 103, or 351 for any previous taxable year only by the amount of such tax as computed under the amendments made by section 501 of the Revenue Act of 1942.

"(g) Stock Redemption Credit—An amount equal to the portion of the recognized gain, realized within the taxable year and prior to March 3, 1936, from the sale or other disposition of a capital asset, which, pursuant to a contract, was distributed prior to such date to shareholders in redemption in whole or in part of preferred stock and which is not otherwise allowable as a credit under any other provision of this section or section 27."

(b) Efective Date of Amendments—The amendments made by subsection (a) shall be efective as of the date of the enactment of the Revenue Act of 1936.

(c) Overpayments—If the refund or credit of any overpayment for any taxable year, to the extent resulting from the application of this section, is prevented on the date of the enactment of this Act or within one year from such date, then, notwithstanding any other provision of law or rule of law (other than this subsection and other than section 3761 of the Internal Revenue Code or section 3229 of the Revised Statutes, or such section as amended by section 815 of the Revenue Act of 1938, relating to compromises), such overpayment shall be refunded or credited in the same manner as in the case of an income tax erroneously collected under the Revenue Act of 1936, if claim therefor is filed within one year from the date of the enactment of this Act.

SEC. 502. Stamp Tax on Certain Insurance Policies

(a) Imposition of Tax—Section 1804 (relating to stamp tax on policies issued by foreign insurers) is amended to read as follows:

"SEC. 1804. Insurance Policies

"(a) Insurance Policies Other Than Life, and Indemnity, Fidelity, or Surety Bonds—On each policy of insurance (other than life), indemnity, fidelity, or surety bond, or certificate, binder, covering note, receipt, memorandum, cablegram, letter, or other instrument by whatever name called whereby a contract of insurance or an obligation of the nature of an indemnity, fidelity, or surety bond is made, continued, or renewed against, or with respect to, hazards, risks, losses, or liabilities wholly or partly within the United States, if issued to or for, or in the name of, a domestic corporation or partnership, or an individual resident of the United States, or with respect to hazards, risks, or liabilities within the United States, if issued to or for, or in the name of, a foreign corporation, foreign partnership, or nonresident individual, engaged in a trade or business within the United States, and if the insurer is a nonresident alien individual, or a foreign partnership, or a foreign corporation, and if such policy or other instrument is not signed or countersigned by an officer or agent of the insurer in a State, Territory, or District of the United States within which such insurer is authorized to do business, a tax of 4 cents on each dollar, or fractional part thereof, of the premium charged.

"(b) Life Insurance, Sickness, and Accident Policies, and Annuity Contracts—On each policy of insurance or annuity contract, or certificate, binder, covering note, receipt, memorandum, cablegram, letter, or other instrument by whatever name called whereby a contract of insurance or an annuity contract is made, continued, or renewed with respect to the life or hazards to the person of a citizen or resident of the United States, if the insurer is a nonresident alien individual, or a foreign partnership, or a foreign corporation, unless such policy or other instrument is signed or countersigned by an officer or agent of the insurer in a State, Territory, or District of the United States within which such insurer is authorized to do business, or unless the insurer is subject to tax under section 201, a tax of 1 cent on each dollar or fractional part thereof, of the premium charged.

"(c) Reinsurance—On each policy of reinsurance, certificate, binder, covering note, receipt, memorandum, cablegram, letter or other instrument by whatever name called whereby a contract of reinsurance is made, continued, or renewed against, or with respect to, any of the hazards, risks, losses, or liabilities covered by contracts described in subsections (a) and (b) of this section if the reinsurer is a nonresident alien individual, or a foreign partnership, or a foreign corporation, and if such policy or other instrument is not signed or countersigned by an officer or agent of the reinsurer in a State, Territory, or District of the United States within which such reinsurer is authorized to do business, a tax of 1 cent on each dollar, or fractional part thereof, of the premium charged.

"(d) When used in this section—

"(1) The term 'indemnity, fidelity, or surety bond' includes any bond for indemnifying any person who shall have become bound or engaged as surety, and any bond for the due execution or performance of any contract, obligation, or requirement, or the duties of any office or position, and to account for money received by virtue thereof, where a premium is charged for the execution of such bond.

"(2) The term 'insurer' includes any person who shall become bound by an obligation of the nature of an indemnity, fidelity, or surety bond, where a premium is charged for the execution of such obligation."

(b) Payments to Which Amendments Applicable—The amendments made by this section shall apply to the making, continuing, or renewal of contracts occurring on or after the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

SEC. 503. Suit Against Collector Bar in Other Suits

Section 3772 (relating to suits) is amended by inserting at the end thereof the following new subsection:

"(d) Suits Against Collector a Bar—A suit against a collector (or former collector) or his personal representative for the recovery of any internal revenue tax alleged to have been erroneusly or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessive or in any manner wrongfully collected shall be treated as if the United States had been a party to such suit in applying the doctrine of res judicata in all suits instituted after June 15, 1942, in respect of any internal revenue tax, and in all proceedings in the Board and on review of decisions of the Board where the petition to the Board was filed after such date."

SEC. 504. Change of Name of Board of Tax Appeals

(a) The Tax Court of the United States—Effective on on the day after the date of enactment of this Act, section 1100 (relating to status of Board of Tax Appeals) is amended by inserting at the end thereof the following new sentence: "The Board shall be known as The Tax Court of the United States and the members thereof shall be known as the presiding judge and the judges of The Tax Court of the United States."

(b) Powers, Tenure, Etc., Unchanged—The jurisdiction, powers, and duties of The Tax Court of the United States, its divisions and its officers and employees, and their appointment, including the designation of its officers, and the immunities, tenure of office, powers, duties, rights, and privileges of the presiding judge and judges of The Tax Court of the United States shall be the same as by existing law provided in the case of the Board of Tax Appeals. The Commissioner shall continue to be represented by the same counsel in the same manner before the Court as he has heretofore been represented in proceedings before the Board of Tax Appeals and the taxpayer shall continue to be represented in accordance with rules of practice prescribed by the Court. No qualified person shall be denied admission to practice before such Court because of his failure to be a member of any profession or calling.

(c) References—All references in any statute (except this section), or in any rule, regulation, or order, to the "Board of Tax Appeals" or to the "Board" when used in the sense of "Board of Tax Appeals," or to the "member," "members," or "chairman" thereof shall be considered to be made to The Tax Court of the United States, the judge, judges, and presiding judge thereof, respectively.

SEC. 505. Requirement of Filing Notice of Lien

Section 3672 (a) (relating to requirement of filing notice of lien for taxes) is amended to read as follows:

"(a) Invalidity of Lien Wthout Notice—Such lien shall not be valid as against any mortgagee, pledgee, purchaser, or judgment creditor until notice thereof has been filed by the collector—

"(1) Under State or Territorial Laws—In the office in which the filing of such notice is authorized by the law of the State or Territory in which the property subject to the lien is situated, whenever the State or Territory has by law authorized the filing of such notice in an office within the State or Territory; or

"(2) With Clerk of District Court—In the office of the clerk of the United States district court for the judicial district in which the property subject to the lien is situated, whenever the State or Territory has not by law authorized the filing of such notice in an office within the State or Territory; or

"(3) With Clerk of District Court of the United States for the District of Columbia—In the office of the clerk of the District Court of the United States for the District of Columbia, if the property subject to the lien is situated in the District of Columbia."

SEC. 506. Miscellaneous Amendments To Stamp Tax Provisions

(a) Bonds, Etc., Issued by Receiver—Section 1801 (relating to stamp tax on issuance of corporate obligations) is amended by inserting at the end thereof the following new sentence: "Obligations described in this section issued by any receiver, trustee in bankruptcy, assignee, or other person, having custody of property, or charge of the affairs, of any corporation, shall, for the purposes of this chapter, be deemed to be issued by the corporation."

(b) Transfers by Operation of Law—

(1) Section 1802 (relating to the stamp tax on sales and transfers of capital stock) is amended by inserting at the end thereof the following new subsection:

"(c) Transfers by Operation of Law—No delivery or transfer under subsection (b) not otherwise exempt shall be exempt because effected by operation of law. The tax under such subsection shall not be imposed upon any delivery or transfer—

"(1) From a decedent to his executor or adminstrator.

"(2) From a minor to his guardian, or from a guardian to his ward upon attaining majority.

"(3) From an incompetent to his committee or similar legal representative, or from a committee or similar legal representative to a former incompetent upon removal of disability.

"(4) From a bank, trust company, financial institution, insurance company, or other similar entity or nominee, custodian, or trustee therefor, to a public officer or commission, or person designated by such officer or commission or by a court, in the taking over of its assets, in whole or part, under State or Federal law regulating or supervising such institutions, nor upon redelivery or retransfer by any such transferee or successor thereto.

"(5) From a bankrupt or person in receivership due to insolvency to the trustee in bankruptcy or receiver, from such receiver to such trustee, or from such trustee to such receiver, nor upon redelivery or retransfer by any such transferee or successor thereto.

"(6) From a transferee under paragraphs (1) to (5), inclusive, to his successor acting in the same capacity, or from one such successor to another.

"(7) From a foreign country or national thereof to the United States or any agency thereof, or to the government of any foreign country, directed pursuant to the authority vested in the President by section 5 (b) of the Trading with the Enemy Act (40 Stat. 415), as amended by the First War Powers Act (55 Stat. 838).

"(8) From trustees to surviving, substituted, succeeding, or additional trustees of the same trust.

"(9) Upon the death of a joint tenant or tenant by the entireties, to the survivor or survivors.

No exemption shall be granted under this subsection unless the delivery or transfer is accompanied by a certificate setting forth such facts as the Commissioner, with the approval of the Secretary, may by regulation prescribe."

(2) Section 3481 (relating to sales and transfers of bonds) is amended by inserting at the end thereof the following new subsection:

"(b) Transfers by Operation of Law—No delivery or transfer under subsection (a) not otherwise exempt shall be exempt because effected by operation of law. The tax under subsection (a) shall not be imposed upon any delivery or transfer—

"(1) From a decedent to his executor or admistrator.

"(2) From a minor to his guardian, or from a guardian to his ward upon attaining majority.

"(3) From an incompetent to his committee or similar legal representative, or from a committee or similar legal representative to a former incompetent upon removal of disability.

"(4) From a bank, trust company, financial institution, insurance company or other similar entity, or nominee, custodian, or trustee thereof, to a public officer or commission, or person designated by such officer or commission or by a court, in the taking over of its assets, in whole or part, under State or Federal law regulating or supervising such institutions, nor upon redelivery or retransfer by any such transferee or successor thereto.

"(5) From a bankrupt or person in receivership due to insolvency to the trustee in bankruptcy or receiver, from such receiver to such trustee, or from such trustee to such receiver, nor upon redelivery or retransfer by any such transferee or successor thereto.

"(6) From a transferee under paragraphs (1) to (5), inclusive, to his successor acting in the same capacity, or from one such successor to another.

"(7) From a foreign country or national thereof to the United States or any agency thereof, or to the government of any foreign country, directed pursuant to the authority vested in the President by section 5 (b) of the Trading with the Enemy Act (40 Stat. 415), as amended by the First War Powers Act (55 Stat. 838).

"(8) From trustees to surviving, substituted, succeeding, or additional trustees of the same trust.

"(9) Upon the death of a joint tenant or tenant by the entireties, to the survivor or survivors.

No exemption shall be granted under this section unless the delivery or transfer is accompanied by a certificate setting forth such facts as the Commissioner, with the approval of the Secretary, may by regulation prescribe."

(c) Stamp Tax Exemption of Cooperative Banks, Etc. —Section 1808 (c) (relating to exemption from stamp tax of stocks and bonds of building and loan associations, etc.) is amended by inserting after the words "building and loan associations" a comma and the words "savings and loan associations, cooperative banks, and homestead associations".

(d) Stamp Tax Exemption of Railroad and Corporate Reorganizations in Bankruptcy, Etc.—Section 1808 (e) and (f) (relating to exemption of railroad and corporate reorganizations) are amended to read as follows:

"(e) Corporate Reorganizations and Reorganization of Railroads—The provisions of section 1801, 1802, and 1821 (b) of this chapter and the provisions of sections 3481 and 3482 of Chapter 31 shall not apply to the issuance, transfer or exchange of securities, or the making, delivery or filing of conveyances to make effective any plan of reorganization or adjustment—

"(1) confirmed under the Act entitled 'An Act to establish a uniform system of bankruptcy throughout the United States', approved July 1, 1898, as amended,

"(2) approved in an equity receivership proceeding in a court involving a railroad corporation, as defined in section 77 (m) of such Act, or

"(3) approved in an equity receivership proceeding in a court involving a corporation, as defined in section 106 (3) of such Act,

if the issuance, transfer, or exchange of securities, or the making, delivery or filing of instruments of transfer or conveyances, occurs within five years from the date of such confirmation or approval."

(e) Exemptions in Connection With Certain Orders of the Securities and Exchange Commission and in the Case of Common Trust Funds—Section 1808 (g) (cross reference) is amended by striking out "(g)" and inserting in lieu thereof "(h)" and by inserting immediately before such subsection the following new subsections:

"(f) Orders of the Securities and Exchange Commission—The provisions of sections 1801, 1802, and 1821 (b) of this chapter and the provisions of sections 3481 and 3482 of Chapter 31 shall not apply to the issuance, transfer, or exchange of securities, or making or delivery of conveyances, to make effective any order of the Securities and Exchange Commission as defined in section 373 (a) of Chapter 1: **Provided**, That (1) the order of the Securities and Exchange Commission in obedience to which such issuance, transfer, or exchange of securities, or conveyances are made recites that such issuance, transfer, or exchange, or conveyances are necessary or appropriate to effectuate the provisions of section 11 (b) of the Public Utility Holding Company Act of 1935, 49 Stat. 820 (U. S. C., Title 15, sec. 79k (b)), (2) such order specifies and itemizes the securities and other property which are ordered to be issued, transferred, exchanged, or conveyed, and (3) such issuance, transfer, or exchange, or conveyance is made in obedience to such order.

"(g) Common Trust Funds—The provisions of section 1802 (a) shall not apply to the issue of shares or certificates of a common trust fund, as defined in section 169."

(f) Exemption of United States, Etc., From Stamp Tax—Section 1809 (a) (relating to persons liable for payment of stamp tax) is amended by inserting at the end thereof the following new sentence: "The United States or any agency or instrumentality thereof shall not be liable for the tax with respect to an instrument to which it is a party, and affixing of stamps thereby shall not be deemed payment for the tax, which may be collected by assessment from any other party liable therefor."

(g) Transfer of Bonds on Reorganization Taxable—Section 3481 (a) (relating to imposition of transfer tax) is amended by striking out: **"Provided further,** That the tax shall not be imposed on deliveries or transfers of bonds in connection with a reorganization (as defined in section 112 of the Revenue Act of 1932, 47 Stat. 196) if any of the gain or loss from the exchange or distribution involved in the delivery or transfer is not recognized under the income tax law applicable to the year in which the delivery or transfer is made:".

(h) Transfers, Etc., With Respect to Which Amendments Applicable—

(1) The amendment of section 1801 by subsection (a) of this section shall be applicable to obligations issued after the date of the enactment of this Act.

(2) Section 1802 (c) and section 3481 (b) added by subsection (b) of this section shall be applicable to deliveries and transfers on or after the thirtieth day after the date of the enactment of this Act.

(3) The amendment of section 1808 (c) made by subsection (c) of this section shall be applicable to stocks and bonds issued or transferred after the date of the enactment of this Act.

(4) The amendment of section 1808 (e) and (f) made by subsection (d) of this section shall be applicable to the issuance, transfer, or exchange of securities, or the making, delivery, or filing of conveyances, after December 31, 1941, in the case of the amendment of section 1808 (e), and after the date of the enactment of this Act, in the case of the amendment of section 1808 (f). Section 267 of the National Bankruptcy Act (U. S. C., Title 11, section 667) and any other provision of Federal law insofar as it confers exemption from stamp tax with respect to the issuance, transfer, or exchange of securities, or the making, delivery, or filing of conveyances, after five years from the date of confirmation or approval of the plan of reorganization or adjustment, shall be inapplicable to the issuance, transfer, or exchange of securities, or the making, delivery, or filing of conveyances, after the date of the enactment of this Act.

(5) (A) Section 1808 (f) added by subsection (e) of this section shall be applicable to the issuance, transfer, or exchange of securities, or the making or delivery of conveyances, after the date of the enactment of this Act.

(B) Section 1808 (g) as added by subsection (e) of this section shall be applicable to shares and certificates issued after the date of the enactment of this Act.

(6) The amendment of section 1809 (a) made by subsection (f) of this section shall be applicable to instruments to which the United States or any agency or instrumentality thereof becomes a party after the date of the enactment of this Act.

(7) The amendment of section 3481 (a) made by subsection (g) of this section shall be applicable to deliveries or transfers after the date of the enactment of this Act.

SEC. 507. Time for Performing Certain Acts Postponed By Reason of War

(a) Amendments to the Internal Revenue Code—The Internal Revenue Code is amended by inserting after section 3803 the following new sections:

"SEC. 3804. Time for Performing Certain Acts Postponed By Reason of War

"(a) Individuals—The period of time after December 6, 1941, during which an individual is continuously outside the Americas (if such period is longer than ninety days), and the next ninety days thereafter, shall be disregarded in determining, under the internal revenue laws, in respect of any tax liability (including any interest, penalty, additional amount, or addition to the tax) of such individual—

"(1) Whether any of the following acts was performed within the time prescribed therefor:

"(A) filing any return of income, estate, or gift tax (except income tax withheld at source and income tax imposed by Chapter 9 or any law superseded thereby);

"(B) payment of any income, estate, or gift tax (except income tax withheld at source and income tax imposed by Chapter 9 or any law superseded thereby) or any installment thereof or of any other liability to the United States in respect thereof;

"(C) filing a petition with the Board of Tax Appeals for redetermination of a deficiency, or for review of a decision rendered by the Board;

"(D) allowance of a credit or refund of any tax;

"(E) filing a claim for credit or refund of any tax;

"(F) bringing a suit upon any such claim for credit or refund;

"(G) assessment of any tax;

"(H) giving or making any notice or demand, for the payment of any tax, or with respect to any liability to the United States in respect of any tax;

"(I) collection, by the Commissioner or the collector, by distraint or otherwise, of the amount of any liability in respect of any tax;

"(J) bringing suit by the United States, or any officer on its behalf, in respect of any liability in respect of any tax; and

"(K) any other act required or permitted under the internal revenue laws specified in regulations prescribed under this section by the Commissioner with the approval of the Secretary;

"(2) The amount of any credit or refund (including interest).

"(b) Other Taxpayers and Other Circumstances—In any case to which subsection (a) does not apply in which it is determined by the Commissioner, under regulations prescribed by him with the approval of the Secretary, that—

"(1) By reason of an individual being outside the Americas, or

"(2) By reason of any locality (within or without the Americas) being an area of enemy action or being an area under the control of the enemy, as determined by the Commissioner, or

"(3) By reason of an individual in the military or naval forces of the United States being outside the States of the Union and the District of Columbia,

it is impossible or impracticable to perform any one or more of the acts specified in subsection (a), then in determining, under the internal-revenue laws whether such act was performed within the time prescribed therefor, in respect of any tax liability (including any interest, penalty, additional amount, or addition to tax) affected by the failure to perform such act within such time, and in determining the amount of any credit or refund (including interest) affected by such failure, there shall be disregarded such period after December 6, 1941, as may be prescribed by such regulations.

"(c) Limitation on Time to Be Disregarded—The period of time disregarded under this section shall not extend beyond whichever of the following dates is the earlier:

"(1) the fifteenth day of the third month following the month in which the present war with Germany, Italy, and Japan is terminated, as proclaimed by the President; or

"(2) in the case of an individual with respect to whom a period of time is disregarded under this section, the fifteenth day of the third month following the month in which an executor, administrator, or a conservator of the estate of such individual qualifies.

"(d) Exceptions—

"(1) Tax in jeopardy; bankruptcy and receiverships; and transferred assets—Notwithstanding the provisions of subsection (a) or (b), any action or proceeding authorized by section 146 (regardless of the taxable year for which the tax arose), 273, 274, 311, 872, 900, 1013, 1015, 1025, or 3660, as well as any other action or proceeding authorized by law in connection therewith, may be taken, begun, or prosecuted. In any other case in which the Commissioner determines that collection of the amount of any assessment would be jeopardized by delay, the provisions of subsections (a) and (b) shall not operate to stay collection of such amount by distraint or otherwise as authorized by law. There shall be excluded from any amount assessed or collected pursuant to this paragraph the amount of interest, penalty, additional amount, and addition to the tax, if any, in respect of the period disregarded under subsection (a) or (b). In any case to which this paragraph relates, if the Commissioner or collector is required to give any notice to or make any demand upon any person, such requirement shall be deemed to be satisfied if the notice or demand is prepared and signed, in any case in which the address of such person last known to the Commissioner or collector is in an area for which United States post offices under instructions of the Postmaster General are not, by reason of the war, accepting mail for delivery at the time the notice or demand is signed. In such case the notice or demand shall be deemed to have been given or made upon the date it is signed.

"(2) Action taken before ascertainment of right to benefits—The assessment or collection of any internal revenue tax or of any liability to the United States in respect of any internal revenue tax, or any action or proceeding by or on behalf of the United States in connection therewith, may be made, taken, begun, or prosecuted in accordance with law, without regard to the provisions of subsection (a) or (b), unless prior to such assessment, collection, action, or proceeding it is ascertained that the person concerned is entitled to the benefits of subsection (a) or (b).

"(3) Expiration of period of limitations prior to enactment of this section—This section shall not operate to extend the time for performing any act specified in subsection (a) (1) (G), (H), (I), or (J) if such time under the law in force prior to the date of enactment of this section expired prior to such date.

"(e) Definitions—For purposes of this section—

"(1) Americas—The terms 'Americas' means North, Central, and South America (including the West Indies but not Greenland), and the Hawaiian Islands.

"(2) When individual ceases to be outside Americas or within an area of enemy action—For the purpose of determining whether any act specified in subsection (a) (1) (G), (H), (I), or (J) was performed within the time prescribed therefor, if any period of time is disregarded under this section by reason of any individual being outside the Americas or within an area of enemy action or control, such individual shall not, if he returns to the Americas or leaves such area after the date of enactment of this section, be deemed to have returned to the Americas or ceased to be within such area before the date upon which the Commissioner receives from such individual a notice thereof in such form as the Commissioner, with the approval of the Secretary, shall by regulations prescribe. A similar rule shall be applied in the case of a member of the military or naval forces of the United States with respect to whom a period of time is disregarded under this section by reason of being outside the States of the Union and the District of Columbia.

"(3) When executor, administrator, or conservator qualifies—For the purpose of determining whether any act specified in subsection (a) (1) (G), (H), (I), or (J) was performed within the time prescribed therefor, the month in which an executor, administrator, or conservator qualifies, if he qualifies after the date of enactment of this section, shall be deemed to be the month in which the Commissioner receives from him a notice thereof in such form as the Commissioner, with the approval of the Secretary, shall by regulations prescribe.

"SEC. 3805. Income Tax Due Dates Postponed in Case of China Trade Act Corporations

"In the case of any taxable year beginning after December 31, 1940, no Federal income tax return of, or payment of any Federal income tax by, any corporation organized under the China Trade Act, 1922 (42 Stat. 849, U. S. C., Title 15, chapter 4), shall become due until the fifteenth day of the sixth month following the month in which the present war with Germany, Italy, and Japan is terminated, as proclaimed by the President. Such due date is prescribed subject to the power of the Commissioner to extend the time for filing such return or paying such tax, as in other cases."

(b) Effect of Amendments Upon Periods Fixed Under Laws Other Than Internal Revenue Code—

(1) Public law, 490, seventy-seventh congress—The amendments made by this section shall not be construed to shorten any period fixed under the provisions of section 13 or 14 of the Act approved March 7, 1942 (Public Law 490—77th Congress), within which any act may be done, except that any action or proceeding authorized under section 3804 (d) (1) of the Internal Revenue Code, as well as any other action or proceeding authorized by law in connection therewith, may be taken, begun, or prosecuted without regard to the period so fixed.

(2) Soldiers' and sailors' civil relief act of 1940—

(A) The amendments made by this section shall not be construed to shorten any period fixed under the provisions of section 513 of the Soldiers' and Sailors' Civil Relief Act of 1940 within which any act may be done, except that any action or proceeding authorized under section 3804 (d) (1) of the Internal Revenue Code, as well as any other action or proceeding authorized by law in connection therewith, may be taken, begun, or prosecuted without regard to the period so fixed.

(B) Article II of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, is amended by adding at the end thereof the following new section:

"Sec. 207. Section 205 of this Act shall not apply with respect to any period of limitation prescribed by or under the internal revenue laws of the United States."

(c) Retroactive Effect—The provisions of sections 3804 and 3805, as added by subsection (a) of this section, shall be effective as if they were enacted on December 7, 1941; except that the phrase "date of enactment of this section," when used in subsections (d) (3) and (e) (2) and (3) of section 3804, means the date of enactment of this Act. Any amount of interest, penalty, additional amount, or addition to the tax otherwise allowable as a refund or credit under the internal revenue laws (including sections 3805 and 3804, except subsection (d) (2) may be refunded or credited without regard to section 3804 (d) (2). No interest shall be allowed or paid by the United States upon any amount refunded or credited by reason of this subsection.

SEC. 508. Mitigation of Effect of Renegotiation of War Contracts or Disallowance of Reimbursement

Chapter 38 is amended by inserting at the end thereof the following new section:

"SEC. 3806. Mitigation of Effect of Renegotiation of War Contracts or Disallowance of Reimbursement

"(a) Reduction for Prior Taxable Year—

"(1) Excessive Profits Eliminated for Prior Taxable Year—In the case of a contract with the United States or any agency thereof, or any subcontract thereunder, which is made by the taxpayer, if a renegotiation is made in respect of such contract or subcontract and an amount of excessive profits received or accrued under such contract or subcontract for a taxable year (hereinafter referred to as 'prior taxable year') is eliminated and, in a taxable year ending after December 31, 1941, the taxpayer is required to pay or repay to the United States or any agency thereof the amount of excessive profits eliminated or the amount of excessive profits eliminated is applied as an offset against other amounts due the taxpayer, the part of the contract or subcontract price which was received or was accrued for the prior taxable year shall be reduced by the amount of excessive profits eliminated. For the purposes of this section—

"(A) The term 'renegotiation' includes any transaction which is a renegotiation within the meaning of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.) or such section, as amended, any modification of one or more contracts with the United States or any agency thereof, and any agreement with the United States or any agency thereof in respect of one or more such contracts or subcontracts thereunder.

"(B) The term 'excessive profits' includes any amount which constitutes excessive profits within the meaning assigned to such term by subsection (a) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), as amended by the Revenue Act of 1942, any part of the contract price of a contract with the United States or any agency thereof, any part of the subcontract price of a subcontract under such a contract, and any profits derived from one or more such contracts or subcontracts.

"(C) The term 'subcontract' includes any purchase order or agreement which is a subcontract within the meaning assigned to such term by subsection (a) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), as amended by the Revenue Act of 1942.

"(2) Reduction of Reimbursement for Prior Taxable Year—In the case of a cost-plus-a-fixed-fee contract between the United States or any agency thereof and the taxpayer, if an item for which the taxpayer has been reimbursed is disallowed as an item of cost chargeable to such contract and, in a taxable year beginning after December 31, 1941, the taxpayer is required to repay the United States or any agency thereof the amount disallowed or the amount disallowed is applied as an offset against other amounts due the taxpayer, the amount of the reimbursement of the taxpayer under the contract for the taxable year in which the reimbursement for such item was received or was accrued (hereinafter referred to as 'prior taxable year') shall be reduced by the amount disallowed.

"(3) Deductions Disallowed—The amount of the payment, repayment, or offset described in paragraph (1) or paragraph (2) shall not constitute a deduction for the year in which paid or incurred.

"(4) Exception—The foregoing provisions of this subsection shall not apply in respect to any contract if the taxpayer shows to the satisfaction of the Commissioner that a different method of accounting for the amount of the payment, repayment, or disallowance clearly reflects income, and in such case the payment, repayment, or disallowance shall be accounted for with respect to the taxable year provided for under such method, which for the purposes of subsections (b) and (c) shall be considered a prior taxable year.

"(b) Credit Against Repayment on Account of Renegotiation or Allowance—

"(1) General Rule—There shall be credited against the amount of excessive profits eliminated the amount by which the tax for the prior taxable year under Chapter 1, Chapter 2A, Chapter 2D, and Chapter 2E, is decreased by reason of the application of paragraph (1) of subsection (a); and there shall be credited against the amount disallowed the amount by which the tax for the prior taxable year under Chapter 1, Chapter 2A, Chapter 2D, and Chapter 2E, is decreased by reason of the application of paragraph (2) of subsection (a).

"(2) Credit for Barred Year—If at the time of the payment, repayment, or offset described in paragraph (1) or paragraph (2) of subsection (a), refund or credit of tax under Chapter 1, Chapter 2A, Chapter 2D, or Chapter 2E, for the prior taxable year, is prevented (except for the provisions of section 3801) by any provision of the internal-revenue laws other than section 3761, or by rule of law, the amount by which the tax for such year under such chapters is decreased by the application of paragraph (1) or paragraph (2) of subsection (a) shall be computed under this paragraph. There shall first be ascertained the tax previously determined for the prior taxable year. The amount of the tax previously determined shall be (A) the tax shown by the taxpayer upon his return for such taxable year, increased by the amounts previously assessed (or collected without assessment) as deficiencies, and decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax; or (B) if no amount was shown as the tax by such taxpayer upon his return, or if no return was made by such taxpayer, then the amounts previously assessed (or collected without assessment) as deficiencies, but such amounts previously assessed, or collected without assessment, shall be decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax. There shall then be ascertained the decrease in tax previously determined which results solely from the application of paragraph (1) or paragraph (2) of subsection (a) to the prior taxable year. The amount so ascertained, together with any amounts collected as additions to the tax or interest, as a result of paragraph (1) or paragraph (2) of subsection (a) not having been applied to the prior taxable year shall be the amount by which such tax is decreased.

"(3) Interest—In determining the amount of the credit under this subsection no interest shall be allowed with respect to the amount ascertained under paragraph (1) or paragraph (2); except that if interest is charged by the United States or the agency thereof on account of the disallowance for any period before the date of the payment, repayment, or offset, the credit shall be increased by an amount equal to interest on the amount ascertained under either such paragraph at the same rate and for the period (prior to the date of the payment, repayment, or offset) as interest is so charged.

"(c) Credit in Lieu of Other Credit or Refund—If a credit is allowed under subsection (b) with respect to a prior taxable year no other credit or refund under the internal-revenue laws founded on the application of subsection (a) shall be made on account of the amount allowed with respect to such taxable year. If the amount allowable as a credit under subsection (b) exceeds the amount allowed under such subsection, the excess shall, for the purposes of the internal-revenue laws relating to credit or refund of tax, be treated as an overpayment for the prior taxable year which was made at the time the payment, repayment, or offset was made."

SEC. 509. Amendment to the Public Salary Tax Act of 1939

(a) Exemption of Certain Compensation for Period Before 1939—Section 203 of the Public Salary Tax Act of 1939 is amended by designating the present language contained therein as subsection (a) and by adding at the end thereof a new subsection to read as follows:

"(b) Any amount of income tax (including interest, additions to tax, and additional amounts) for taxable years beginning after December 31, 1938, to the extent attributable to compensation for personal service rendered in a taxable year beginnig prior to January 1, 1939 (other than compensation received as a pension, retirement pay, or similar allowance), as an officer or employee of a State, or any political subdivision thereof, or any agency or instrumentality of any one or more of the foregoing—

"(1) shall not be assessed; and

"(2) if assessed, the assessment shall be abated and any amount collected in pursuance of such assessment shall be credited or refunded in the same manner as in the case of an income tax erroneously collected,

if the Commissioner of Internal Revenue, under regulations prescribed by him with the approval of the Secretary of the Treasury, finds that assessment of such tax, or disallowance of a claim for credit or refund, except for Title I of this Act, would result in the application of the doctrines in the cases of Helvering against Therrell (303 U. S. 218), Helvering against Gerhardt (304 U. S. 405), and Graves et al. against New York ex rel O'Keefe (306 U. S. 466), extending the classes of officers and employees subject to Federal taxation."

(b) Effective Date of Amendment—The amendment made by this section shall be effective as of the date of enactment of the Public Salary Tax Act of 1939.

SEC. 510. Abolition of Board of Review and Transfer of Jurisdiction to Board of Tax Appeals

(a) Effective as of the close of business on December 31, 1942, the Board of Review, established under section 906 (b) of the Revenue Act of 1936, is hereby abolished and the jurisdiction vested in said Board of Review is hereby transferred to and vested in the Board of Tax Appeals.

(b) Section 906 (b) of the Revenue Act of 1936 is amended to read as follows:

"(b) The Board shall have jurisdiction in proceedings under this section to review the allowance or disallowance of the Commissioner of a claim for refund, and to determine the amount of refund due any claimant with respect to such claim. The Commissioner shall make refund of any such amount determined by a decision of the Board which has become final."

(c) All proceedings pending in the said Board of Review on December 31, 1942, shall be deemed pending in and be transferred forthwith to the Board of Tax Appeals, and shall be proceeded with and disposed of by the Board of Tax Appeals as if originally begun therein.

(d) All journals, dockets, books, files, records, and property, including office equipment of the said Board of Review, shall be transferred to the Board of Tax Appeals.

(e) Section 902 of the Revenue Act of 1936 (relating to conditions on allowance of refunds) is amended by striking out "Board of Review" and inserting in lieu thereof "Board of Tax Appeals (hereinafter referred to as the 'Board')."

(f) (1) Section 906 (c) (relating to allowance of claim for refund and nature of hearing) is amended to read as follows:

"(c) The allowance or disallowance of the Commissioner of a claim for refund under this section shall be final, unless within ninety days (not counting Sunday or a legal holiday in the District of Columbia as the ninetieth day) after the date of mailing by registered mail by the Commissioner of notice that a claim for refund of any such amount has been disallowed, in whole or in part, the claimant files a petition with the Board requesting a hearing on the merits of his claim, in whole or in part. Upon the filing of any such petition the claimant shall be entitled to a hearing as provided herein. Notice and opportunity to be heard shall be given to the claimant and the Commissioner. If the notice is addressed to a person outside the States of the Union and the District of Columbia, the period specified in this subsection shall be one hundred and fifty days in lieu of ninety days."

(2) The amendment made by this subsection, insofar as applicable to the date for filing the petition, shall not apply if the Commissioner has prior to January 1, 1943, mailed notice by registered mail that the claim for refund has been disallowed in whole or in part.

(g) Section 906 (d) (relating to conduct of hearing) is amended to read as follows:

"(d) Each such hearing shall be conducted by a division of the Board and shall be open to the public. The proceedings in such hearings shall be conducted in accordance with such rules of practice and procedure (other than rules of evidence) as the Board may prescribe, and in accordance with the rules of evidence applicable in courts of equity of the District of Columbia. The claimant and the Commissioner shall be entitled to be represented by counsel, to have witnesses subpenaed, and to examine and cross-examine witnesses. The division shall have authority to administer oaths, examine witnesses, rule on questions of procedure and the admissibility of evidence, and to require by subpena, signed by any member of the Board, the attendance and testimony of witnesses, and the production of all necessary returns, books, papers, records, correspondence, memoranda, and other evidence, from any place in the United States at any designated place of hearing, and to require the taking of a deposition by any designated individual competent to administer oaths. Any witness summoned or whose deposition is taken pursuant to this section shall receive the same fees and mileage as witnesses in the courts of the United States. Such fees and mileage and the expenses of taking any such deposition shall be paid as follows:

"(1) Witnesses for Commissioner—In the case of witnesses for the Commissioner such payments shall be made by the Secretary out of any moneys appropriated for the collection of internal-revenue taxes, and may be made in advance.

"(2) Other Witnesses—In the case of any other witnesses, such payments shall be made, subject to rules prescribed by the Board, by the party at whose instance the witness appears or the deposition is taken."

(h) Section 906 (e) (relating to findings of fact and decision) is amended to read as follows:

"(e) After the conclusion of the hearing a report and a decision thereon shall be made as quickly as practicable by the division conducting such hearing. The report of the division shall become the report of the Board within thirty days after such report by the division, unless within such period the chairman has directed that such report shall be reviewed by the Board. Any preliminary action by a division which does not form the basis for the entry of the final decision shall not be subject to review by the Board except in accordance with such rules as the Board may prescribe. The report of a division shall not be a part of the record in any case in which the chairman directs that such report shall be reviewed by the Board. It shall be the duty of the Board and of each division to include in its report upon any proceeding its findings of fact or opinion or memorandum opinion. The Board shall report in writing all its findings of fact, opinions, and memorandum opinions. A decision of the Board (except a decision dismissing a proceeding for lack of jurisdiction) shall be held to be rendered upon the date that an order specifying the amount of the refund, or that no refund is due, is entered in the records of the Board. If the Board dismisses a proceeding for lack of jurisdiction, an order to that effect shall be entered in the records of the Board, and the decision of the Board shall be held to have been rendered upon the date of such entry."

(i) Section 906 (f) (relating to costs and fees) is amended to read as follows:

"(f) The Board is authorized to fix a fee, not in excess of the fee fixed by law to be charged and collected therefor by the clerks of the district courts, for comparing, or for preparing and comparing a transcript of the record, or for copying any record, entry, or other paper and the comparison and certification thereof."

(j) Section 906 (g) (relating to appeals) is amended to read as follows:

"(g) A decision of the Board rendered after January 1, 1943, may be reviewed by a circuit court of appeals or the United States Court of Appeals for the District of Columbia, if a petition for such review is filed by either the claimant or the Commissioner within three months after the decision is rendered. Such decision may be reviewed by the circuit court of appeals for the circuit in which the claimant resides, or has his principal place of business, or, if none, by the United States Court of Appeals for the District of Columbia: **Provided, however,** that in any event such decision may be reviewed by any circuit court of appeals or the United States Court of Appeals for the District of Columbia which may be designated by the Commissioner and the claimant by stipulation in writing. Such courts shall have exclusive jurisdiction to affirm the decision of the Board, or to modify or reverse such decision, if it is not in accordance with law, with or without demanding the cause for a rehearing as justice may require. The judgments of such courts shall be final, subject to review by the Supreme Court of the United States upon certification or certiorari as provided in sections 239 and 240 of the Judicial Code as amended. Such courts are authorized to adopt rules for the filing of petitions for review, preparation of the record for review, and the conduct of the proceedings on review. A decision of the Board rendered after January 1, 1943 shall become final in the same manner that decisions of the Board become final under section 1140 of the Internal Revenue Code."

(k) Saving Provisions—Section 906 (g) of the Revenue Act of 1936, as in effect prior to the date of enactment of the Revenue Act of 1942, shall remain in effect as to petitions to review decisions of the Board of Review rendered prior to January 1, 1943, but shall not, if any case involving any such petition is remanded for further proceedings in the Board of Tax Appeals, remain in effect with respect to any further proceedings in such case.

(l) This section shall take effect on January 1, 1943.

SEC. 511. Definition of Military or Naval Forces of the United States

Section 3797 (a) (15) is amended to read as follows:

"(15) Military or naval forces of the United States —The term 'military or naval forces of the United States' includes the Marine Corps, the Coast Guard, the Army Nurse Corps, Female, the Women's Army Auxiliary Corps, the Navy Nurse Corps, Female, and the Women's Reserve branch of the Naval Reserve."

SEC. 512. Joint Committee on Internal Revenue Taxation —Power to Obtain Data

Chapter 48 (relating to joint committee) is amended by adding at the end thereof the following new section:

"SEC. 5012. Additional Powers to Obtain Data.

"(a) The Joint Committee on Internal Revenue Taxation or the Chief of Staff of such Joint Committee, upon approval of the Chairman or Vice-Chairman, is authorized to secure directly from the Bureau of Internal Revenue (including the Assistant General Counsel for the Bureau of Internal Revenue), or directly from any executive department, board, bureau, agency, independent establishment or instrumentality of the Government, information, suggestions, data, estimates and statistics, for the purpose of making investigations, reports and studies relating to internal revenue taxation.

"(b) The Bureau of Internal Revenue (including the Assistant General Counsel for the Bureau of Internal Revenue, executive departments, boards, bureaus, agencies, independent establishments and instrumentalities are authorized and directed to furnish such information, suggestions, data, estimates and statistics directly to the Joint Committee on Internal Revenue Taxation or to the Chief of Staff of such Joint Committee, upon request made pursuant to this section."

TITLE VI—EXCISE TAXES

SEC. 601. Effective Date of this Title

This title shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

SEC. 602. Distilled Spirits

(a) Rate on Distilled Spirits—Section 2800 (a) (1) is amended by striking out "$4" and inserting in lieu thereof "$6".

(b) Rate on Imported Perfumes Containing Alcohol—Section 2800 (a) (3) is amended by striking out "$4" and inserting in lieu thereof "$6".

(c) Drawback on Distilled Spirits—The third paragraph of section 2887 is amended by striking out "$4" and inserting in lieu thereof "$6".

(d) Floor Stocks Tax—Section 2800 is amended by inserting at the end thereof the following new subsection:

"(j) 1942 Floor Stocks Tax—

"(1) Tax—Upon all distilled spirits upon which the internal-revenue tax imposed by law has been paid, and which on the effective date of Title VI of the Revenue Act of 1942, are held and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax of $2 on each proof-gallon, and a proportionate tax at a like rate on all fractional parts of such proof-gallon.

"(2) Returns—Under such regulations as the Commissioner with the approval of the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of Title VI of the Revenue Act of 1942 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to due may be extended to a date not later than the first day of the tenth month following the effective date of Title VI of the Revenue Act of 1942, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

"(3)Laws applicable—All provisions of law, including penalties, applicable in respect of internal-revenue taxes on distilled spirits shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the floor stocks tax imposed hereunder. For the purposes of this subsection the term 'distilled spirits' shall include products produced in such manner that the person producing them is a rectifier within the meaning of section 3254 (g)."

(e) Exemption of Imported Alcohol for Industrial Purposes—

(1) Amendment to internal revenue code—Part II of Subchapter C of Chapter 26 (relating to industrial alcohol) is amended by inserting at the end thereof the following new section:

"SEC. 3125. Importation of Alcohol for Industrial Purposes

"(a) Importation Without Payment of Internal Revenue Tax—Under regulations to be prescribed by the Commissioner, with the approval of the Secretary, and subject from the time of its withdrawal from customs custody to all the applicable provisions of this part, alcohol of 160 proof, or greater, may be imported into the United States and be withdrawn, in bond, from customs custody, without payment of the internal-revenue tax imposed by section 2800 upon the act of importing such alcohol, for transfer to industrial alcohol plants, alcohol bonded warehouses, and denaturing plants for redistillation or denaturation and withdrawal, or withdrawal without redistillation or denaturation, tax free or tax paid, as the case may be, for all the purposes authorized by this part. If such alcohol is withdrawn from the said industrial alcohol plants, alcohol bonded warehouses, or denaturing plants for beverage purposes, there shall be paid upon such withdrawal an additional tax equal to the duty which would have been paid had such spirits been imported for beverage purposes, less the duty already paid thereon.

"(b) Withdrawal Tax Free for Use of United States—Alcohol may be withdrawn from customs custody by the United States or any governmental agency thereof for its own use, free of internal-revenue tax, under such regulations as may be prescribed."

(2) Effective date of subsection—Notwithstanding section 601, this subsection shall take effect on the day following the date of enactment of this Act.

(f) Drawback if Distilled Spirits Used for Certain Purposes—Section 3250 (relating to taxation of distilled spirits) is amended by inserting at the end thereof the following new subsection:

"(1) Manufacturers or Producers of Designated Non-beverage Products—

"(1) In general—Any person using distilled spirits produced in a domestic registered distillery or industrial alcohol plant and fully tax-paid in the manufacture or production of medicines, medicinal preparations, food products, flavors, or flavoring extracts which are unfit for beverage purposes and are sold or otherwise transferred for use for other than beverage purposes upon payment of a special tax per annum, shall be eligible for drawback as hereinafter provided for.

"(2) Such special tax per annum shall be graduated in amount as follows: (a) for total annual withdrawls not exceeding 25 proof gallons, $25 per annum; (b) for total annual withdrawals not exceeding 50 proof gallons, $50 per annum; (c) for total annual withdrawals of 50 proof gallons or more, $100 per annum.

"(3) Requirements—Such person shall register annually with the Commissioner; keep such books and records as may be necessary to establish the fact that distilled spirits purchased by him and fully tax-paid were used in the manufacture or production of medicines, medicinal preparations, food products, flavors, or flavoring extracts which were unfit for use for beverage purposes; and shall be subject to such rules and regulations in relation thereto as the Commissioner, with the approval of the Secretary, shall prescribe to secure the Treasury of the United States against frauds.

"(4) Investigative powers of commissioner—The Commissioner, for the purpose of ascertaining the correctness of any claim filed under this subsection is authorized, by any officer or employee of the Bureau of Internal Revenue, including the field service, designated by him for that purpose, to examine any books, papers, records, or memoranda bearing upon the matters required to be alleged in the claim, and may require the attendance of the person filing the claim or of any officer or employee of such person, or the attendance of any other person having knowledge in the premises, and may take his testimony with reference to any matter covered by the claim, with power to administer oaths to such person or persons.

"(5) Drawback—A drawback at the rate of $3.75 on each proof gallon shall be allowed on distilled spirits tax-paid and used as provided in this subsection and be due and payable quarterly upon filing of a proper claim with the Commissioner. No claim under this subsection shall be allowed unless filed with the Commissioner within the three months next succeeding the quarter for which the drawback is claimed."

SEC. 603. Fermented Malt Liquors

(a) Rate on Fermented Malt Liquors—Section 3150 (a) is amended by striking out "$6" and inserting in lieu thereof "$7".

(b) Floor Stocks Tax—Section 3150 is amended by inserting at the end thereof the following new subsection:

"(e) 1942 Floor Stocks Tax—

"(1) Tax—Upon all fermented malt liquors upon which the internal-revenue tax imposed by law has been paid, and which on the effective date of Title VI of the Revenue Act of 1942 are held by any person and intended for sale there shall be levied, assessed, collected, and paid a floor stocks tax at a rate of $1 per barrel of 31 gallons.

"(2) Returns—Under such regulations as the Commissioner with the approval of the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of Title VI of the Revenue Act of 1942 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of Title VI of the Revenue Act of 1942, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

"(3) Laws applicable—All provisions of law, including penalties, applicable in respect of the taxes imposed by subsection (a) shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by this subsection."

SEC. 604. Wines

(a) Rate on Still Wines—Section 3030 (a) (1) (A) is amended by striking out "8 cents" and inserting in lieu thereof "10 cents"; by striking out "30 cents" and inserting in lieu thereof "40 cents"; and by striking out "65 cents" and inserting in lieu thereof "$1.00".

(b) Rate on Sparkling Wines, Liqueurs, Cordials, Etc. —Section 3030 (a) (2) is amended by striking out "7 cents" and inserting in lieu thereof "10 cents"; and by striking out "3½ cents" and inserting in lieu thereof "5 cents".

(c) Floor Stocks—Subchapter F of Chapter 26 is amended by inserting at the end thereof the following new section:

"SEC. 3193. 1942 Floor Stocks Tax on Wines

"(a) Floor Stocks Tax—Upon all wines upon which the internal-revenue tax imposed by law has been paid, and which on the effective date of Title VI of the Revenue Act of 1942 are held and intended for sale or for use in the manufacture or production of an article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at rates equal to the increases in rates of tax made applicable to such articles by section 604 of the revenue Act of 1942.

"(b) Returns—Under such regulations as the Commissioner with the approval of the Secretary shall prescribe, every person required by subsection (a) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of Title VI of the Revenue Act of 1942 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of Title VI of the Revenue Act of 1942, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

"(c) Laws Applicable—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 3030 (a) shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stock tax imposed by subsection (a)."

SEC. 605. Cigars and Cigarettes

(a) Rates on Cigars—Section 2000 (c) (1) is amended to read as follows:

"(c) Cigars and Cigarettes—Upon cigars and cigarettes manufactured in or imported into the United States, which are sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid the following taxes:

"(1) Cigars—On cigars of all descriptions made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, 75 cents per thousand;

"On cigars made of tobacco, or any substitute therefor, and weighing more than three pounds per thousand, if manufactured or imported to retail at not more than 2½ cents each, $2.50 per thousand;

"If manufactured or imported to retail at more than 2½ cents each and not more than 4 cents each, $3.00 per thousand;

"If manufactured or imported to retail at more than 4 cents each and not more than 6 cents each, $4.00 per thousand;

"If manufactured or imported to retail at more than 6 cents each and not more than 8 cents each, $7.00 per thousand;

"If manufactured or imported to retail at more than 8 cents each and not more than 15 cents each, $10.00 per thousand;

"If manufactured or imported to retail at more than 15 cents each and not more than 20 cents each, $15.00 per thousand.

"If manufactured or imported to retail at more than 20 cents each $20.00 per thousand.

"Whenever in this subsection reference is made to cigars manufactured or imported to retail at not over a certain price each, then in determining the tax to be paid regard shall be had to the ordinary retail price of a single cigar in its principal market."

(b) Rates on Cigarettes—Section 2000 (c) (2) is amended by striking out "$3.25" and inserting in lieu thereof "$3.50" and by striking out "$7.80" and inserting in lieu thereof "$8.40."

(c) Floor Stocks Tax—Section 2000 is amended by inserting at the end thereof the following new subsection:

"(e) 1942 Floor Stocks Tax—

"(1) Tax—Upon large cigars (weighing more than three pounds per thousand and all cigarettes subject to tax under this section, which on the effective date of Title VI of the Revenue Act of 1942 are held by any person for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at a rate equal to the increase in rate of tax made applicable to such articles by the Revenue Act of 1942.

"(2) Returns—Every person required by this subsection to pay any floor stocks tax shall, on or before the end of the month next following the month in which Title VI of the Revenue Act of 1942 takes effect, under such regulations as the Commissioner with the approval of the Secretary shall prescribe, make a return and pay such tax, except that in the case of such articles held by manufacturers and importers, the Commissioner may collect the tax with respect to all or part of such articles by means of stamps rather than return, and in such case may make an assessment against such manufacturer or importer having cigar and cigarette tax stamps on hand on the effective date of Title VI of the Revenue Act of 1942, for the difference between the amount paid for such stamps and the increased rates imposed by the Revenue Act of 1942.

"(3) Laws Applicable—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 2000, shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by this subsection."

(d) One-Eighth Ounce Difference Above Two Ounces and Not Above Three Ounces Permitted in Packaging of Tobacco and Snuff—Section 2100 (a) (1) (relating to permissable packages for tobacco and snuff) is amended by striking out "with a difference between each package and the one next smaller of one-eighth of an ounce up to and including two ounces" and inserting in lieu thereof "with a difference between each package and the one next smaller of one-eighth of an ounce up to and including three ounces."

(e) Exportation of Cigarette Papers and Tubes Free of Internal Revenue Tax—Section 2197 (b) (relating to tax-free exportation of tobacco) is amended by striking out "or cigarettes" and inserting in lieu thereof "cigarettes, or cigarette papers or tubes."

SEC. 606. Telephone, Telegraph, Etc.

(a) Rates of Tax—Section 3465 is amended to read as follows:

"SEC. 3465. Imposition and Rate of Tax

"(a) There shall be imposed:

"(1) Telephone and telegraph, etc.—

"(A) On the amount paid within the United States for each telephone or radio telephone message or conversation for which the toll charge is more than 24 cents, a tax equal to 20 per centum of the amount so paid. If a bill is rendered the taxpayer for the services described in this subparagraph, the amount upon which the tax shall be based shall be the sum of all such charges included in the bill, and the tax shall not be based upon the charge for each item, separately, included in the bill.

"(B) On the amount paid within the United States for each telegraph, cable, or radio dispatch or message a tax equal to 15 per centum of the amount so paid, except that in the case of each international telegraph, cable, or radio dispatch or message the rate shall be 10 per centum. If a bill is rendered the taxpayer for the services described in this subparagraph, the amount upon which the tax at each of the rates in this subparagraph shall be based shall be the sum of all such charges at that rate included in the bill, and the tax shall not be based upon the charge for each item, separately, included in the bill.

"If the tax under subparagraph (A) or (B) is paid by inserting coins in coin-operated telephones, the tax shall be computed to the nearest multiple of 5 cents, except that where the tax is midway between multiples of 5 cents, the next higher multiple shall apply. Only one payment of a tax imposed by subparagraph (A) or (B) shall be required notwithstanding the lines or stations of one or more persons are used in the transmission of such dispatch, message, or conversation.

"(2) Leased wires, etc. —

"(A) A tax equivalent to 15 per centum of the amount paid for leased wire, teletypewriter, or talking circuit special service, but not including an amount paid for leased wire, teletypewriter, or talking circuit special service used exclusively in rendering a service taxable under subparagraph (B).

"(B) A tax equivalent to 5 per centum of the amount paid for any wire and equipment service (including stock quotation and information services, burglar alarm or fire alarm service, and all other similar services, but not including service described in subparagraph (A)).

"The tax shall apply under this paragraph whether or not the wires or services are within a local exchange area.

"(3) Local telephone service—A tax equivalent to 10 per centum of the amount paid by subscribers for local telephone service and for any other telephone service in respect of which a tax is not payable under paragraph (1) or (2). Amounts paid for the installation of instruments, wires, poles, switchboards, apparatus, and equipment shall not be considered amounts paid for service. Service paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by this paragraph, except that where such coin-operated telephone service is furnished for a guaranteed amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax.

"(b) This section shall not appiy to the amount paid for so much of the service described in paragraph (2) of subsection (a) as is utilized in the conduct, by a common carrier or telephone or telegraph company or a radio broadcasting station or network, of its business as such."

(b) Effective Date of Amendments—

(1) The amendments to section 3465 (a) (1) made by subsection (a) shall be applicable only with respect to the period beginning with the effective date of this title.

(2) The amendments to section 3465 (a) (2) and (3) made by subsection (a) shall apply only to amounts paid pursuant to bills rendered after the effective date of this title for service for which no previous bill was rendered. Where bills rendered after the effective date of this title include charges for services previously rendered, the amendments shall not apply to such service as was rendered more than two months before the effective date of this title, and the provisions of section 3465 in effect at the time such prior services was rendered shall be applicable to the amounts paid for such service.

SEC. 607. Photographic Apparatus

Section 3406 (a) (4) is amended to read as follows:

"(4) Photographic Apparatus—Cameras (except cameras weighing more than four pounds exclusive of lens and accessories) and lenses, photographic apparatus and equipment, and any apparatus or equipment designed especially for use in the taking of photographs or motion pictures or in developing, printing, or enlarging photographs or motion pictures, 25 per centum; unexposed photographic films (including motion picture films but not including X-ray film), photographic plates and sensitized paper, 15 per centum."

SEC. 608. Lubricating Oils

Section 3413 (relating to tax on lubricating oils) is amended by striking out "4½ cents" and inserting in lieu thereof "6 cents."

SEC. 609. Transportation of Persons

(a) Increase in Rate—Section 3469 (a) (relating to tax on transportation of persons) and section 3469 (c) (relating to tax on seats or berths) are amended by striking out "5 per centum" and inserting in lieu thereof "10 per centum."

(b) Exemption of Members of Armed Forces of United Nations From Tax on Transportation of Persons, Etc.—Section 3469 (f) (2) (relating to exemptions from the tax on transportation of persons) is amended by inserting after the words "uniform of the United States" a comma and the following: "or to members of the military or naval forces of any of the other United Nations traveling in uniform of such nation,".

SEC. 610. Organs Under Contract Before October 1, 1941

The tax under section 3404 (d) of the Internal Revenue Code shall not apply to the sale of an organ sold under a bona fide written contract entered into before October 1, 1941, and tax paid with respect to the sale of an organ under such a contract may be refunded, subject to the provisions of section 3443 (d) of the Internal Revenue Code.

SEC. 611. Termination of Certain Excise Taxes

The taxes imposed by the following provisions shall not apply to the sale, by the manufacturer, producer, or importer, after the effective date of this Title, of the articles taxable under such provisions:

(a) Section 3406 (a) (5) of the Internal Revenue Code (relating to tax on electric signs).

(b) Section 3406 (a) (7) of the Internal Revenue Code (relating to tax on rubber articles).

(c) Section 3406 (a) (8) of the Internal Revenue Code (relating to tax on washing machines).

(d) Section 3406 (a) (9) of the Internal Revenue Code (relating to tax on optical equipment).

SEC. 612. Affixing of Cigarette Stamps in Foreign Countries

Section 2112 (c) (relating to requirement of affixing cigarette stamps) is amended by inserting at the end thereof the following new sentence: "If the government of a foreign country permits the revenue stamps of such country to be affixed in the United States to cigarettes manufactured in the United States and imported into such foreign country, then, if cigarettes manufactured in such foreign counrty are imported into the United States from such foreign country, the importer may, under such rules and regulations as the Commissioner with the approval of the Secretary of the Treasury may prsecribe, have the United States revenue stamps attached to such cigarettes in such foreign country."

SEC. 613. Exemption of Insignia, Etc., Used in Connection with Uniforms of the Armed Forces from Jewelry Tax

The second sentence of sction 2400 (relating to exemption from jewelry tax) is amended to read as follows: "The tax imposed by this section shall not apply to any article used for religious purposes, to surgical instruments, to watches designed especially for use by the blind, to frames or mountings for spectacles, or eyeglasses, to a fountain pen or smokers' pipe if the only parts of the pen or the pipe which consist of precious metals are essential parts not used for ornamental purposes, or to buttons, insignia, cap devices, chin straps, and other devices prescribed for use in connection with the uniforms of the armed forces of the United States."

SEC. 614. Refrigerators, Refrigerating Apparatus, and Air-Conditioners

Section 3405 is amended to read as follows:

"SEC. 3405. Tax on Mechanical Refrigerators and Self-Contained Air-Conditioned Units

"There shall be imposed on the following articles (including in each case parts or accessories therefor sold on or in connection with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to 10 per centum of the price for which sold:

"(a) Refrigerators—Household type refrigerators (for single or multiple cabinet installations) having, or being primarily designed for use with, a mechanical refrigerating unit operated by electricity, gas, kerosene, or gasoline.

"(b) Refrigerating Apparatus—Cabinets, compressors, condensers, evaporators, expansion units, absorbers, and controls for, or suitable for use as parts of or with, household type refrigerators of the kind described in subsection (a) except when sold as component parts of complete refrigerators or refrigerating or cooling apparatus.

"(c) Air-Conditioners—Self-contained air-conditioning units."

SEC. 615. Exemption of Certain Cash Registers

Section 3406 (a) (6) (relating to tax on business and store machines) is amended by inserting after "cash registers" the following: ", except cash registers of the type used in registering over-the-counter retail sales."

SEC. 616. Exempt Transportation of Oil by Pipe Line

Sction 3460 (relating to tax on transportation of oil by pipe line) is amended by adding at the end thereof the following new subsection:

"(c) Exempt Transportation—For the purposes of this section, the term 'transportation' shall not include any movement through lines of pipe within the premises of a refinery, a bulk plant, a terminal, or a gasoline plant, if such movement is not a continuation of a taxable transportation. The crossing of rights-of-way, streets, highways, railroads, levees, or narrow bodies of water, in connection with such a movement, shall not of itself constitute such movement as being 'transportation'."

SEC. 617. Coin-Operated Amusement and Gaming Devices

(a) Increase in Rate on Gambling Devices—Section 3267 (a) (2) and (3) (relating to rate of tax on gamblnig devices) is amended by striking out "$50" and inserting in lieu thereof "$100."

(b) Defintiion—Section 3267 (b) is amended to read as follows:

"(b) Definition—As used in this Part, the term 'coin-operated amusement and gaming devices' means (1) any amusement or music machine operated by means of the insertion of a coin, token, or similar object, and (2) so-called 'slot' machines which operate by means of insertion of a coin, token, or similar object and which, by application of the element of chance, may deliver, or entitle the person playing or operating the machine to receive, cash, premium, merchandise, or tokens. The term does not include bona fide vending machines in which are not incorporated gaming or amusement features. For the purposes of this section, a vending machine operated by means of the insertion of a 1 cent coin, which, when it dispenses a prize, never dispenses a prize of a retail value of, or entitles a person to receive a prize of a retail value of more than 5 cents, and if the only prize dispensed is merchandise and not cash or tokens shall be classified under clause (1) and not under clause (2)."

(c) Effective Date of Amendments—The amendments made by this section shall be first applicable as follows:

(1) In the case of machines the rate of tax on which is increased, to the year beginning July 1, 1943.

(2) In the case of machines not subject to tax prior to such amendments, no tax shall be payable with respect to any period before the effective date of this title.

(3) In the case of machines if the limitation on the amount of the prize dispensed is 5 cents, to the year beginning July 1, 1942.

SEC. 618. Sale Under Chattel Mortgage

(a) Retail Sales Taxes—Section 2405. (Relating to tax where article sold under installment or conditional sale contract) is amended by striking out "or (c) a conditional sale" and inserting in lieu thereof the following: "(c) a conditional sale, or (d) a chattel mortgage arrangement wherein it is provided that the sales price shall be paid in installments."

(b) Manufacturers' Sales Taxes Generally—Section 3441 (c) (1) (relating to tax where articles are sold under installment or conditional sales contracts) is amended by striking out "or (C) a conditional sale" and inserting in lieu thereof "(C) a conditional sale, or (D) a chattel mortgage arrangement wherein it is provided that the sales price shall be paid in installment".

SEC. 619. Repeal of Certain Provisions Relating to Mixed Flour

Chapter 18 and Part IV of Subchapter A of Chapter 27 are repealed.

SEC. 620. Transportation of Property

(a) Chapter 30 is amended by inserting at the end thereof the following new subchapter:

"Subchapter E—Transportation of Property

"SEC. 3475. Transportation of Property

"(a) Tax—There shall be imposed upon the amount paid within the United States after the effective date of this section for the transportation, on or after such effective date, of property by rail, motor vehicle, water, or air from one point in the United States to another, a tax equal to 3 per centum of the amount so paid, except that, in the case of coal, the rate of tax shall be 4 cents per short ton. Each tax shall apply only to amounts paid to a person engaged in the business of transporting property for hire, including amounts paid to a freight forwarder, express company, or similar person, but not including amounts paid by a freight forwarder, express company, or similar person for transportation with respect to which a tax has previously been paid under this section. In the case of property transported from a point without the United States to a point within the United States the tax shall apply to the amount paid within the United States for that part of the transportation which taxes place within the United States. The tax on the transportation of coal shall not apply to the transportation of coal with respect to which there has been a previous taxable transportation.

"(b) Exemption of Government Transportation—The tax imposed under this section shall not apply to amounts paid by or to the United States or any agency or instrumentality of the United States for the transportation of property.

"(c) Returns and Payment—The tax imposed by this section shall be paid by the person making the payment subject to the tax. Each person receiving any payment specified in subsection (a) shall collect the amount of the tax imposed from the person making such payment, and shall, on or before the last day of each month, make a return, under oath, for the preceding month, and pay the taxes so collected to the collector in the district in which his principal place of business is located, or if he has no principal place of business in the United States, to the collector at Baltimore, Maryland. Such returns shall contain such information and be made in such manner as the Commissioner with the approval of the Secretary may by regulations prescribe.

"(d) Extensions of Time—The Commissioner may extend the time for making returns and paying the taxes collected, under such rules and regulations as he shall prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

"(e) Registration—Every person engaged in the business of transporting property for hire, including freight forwarders, express companies, and similar persons, shall, on or before the sixtieth day after the effective date of this section, or within sixty days after first engaging in the business of transportation of property for hire, register his name and his place or places of business with the collector in the district in which is located the principal place of business of such person. Every such person who fails to register within the period specified shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $50."

(b) Technical Amendment—Section 3471 (a) and (b) are amended by striking out "or Subchapter C" wherever occurring therein and inserting in lieu thereof "Subchapter C, or Subchapter E".

(c) Effective Date of Section—The amendments made by this section shall take effect on the first day of the first month which begins more than thirty days after the date of the enactment of this Act.

SEC. 621. Exemption from Processing Tax on Palm Oil Used in Manufacture of Iron or Steel Products

Section 2477 (relating to definition of first domestic processing) is amended to read as follows:

SEC. 2477. First Domestic Processing Defined

"For the purposes of this chapter, the term 'first domestic processing' means the first use in the United States, in the manufacture or production of an article intended for sale, of the article with respect to which the tax is imposed, but does not include the use of palm oil in the manufacture of orin or steel products, or tin plate or terne plate, or any subsequent use of palm oil residue resulting from the manufacture of iron or steel products, or tin plate or terne plate."

SEC. 622. Cabaret Tax

Section 1700 (e) (1) (relating to rate of cabaret tax) is amended to read as follows:

"(1) Rate—A tax equivalent to 5 per centum of all amounts paid for admission, refreshment, service, or merchandise, at any roof garden, cabaret, or other similar place furnishing a public performance for profit, by or for any patron or guest who is entitled to be present during any portion of such performance. The term, 'roof garden, cabaret, or other similar place' shall include any room in any hotel, restaurant, hall, or other public place where music and dancing privileges or any other entertainment, except instrumental or mechanical music alone, are afforded the patrons in connection with the serving or selling of food, refreshment, or merchandise. A performance shall be regarded as being furnished for profit for purposes of this section even though the charge made for admission, refreshment, service, or merchandise is not increased by reason of the furnishing of such performance. No tax shall be applicable under subsection (a) (1) on account of an amount paid with respect to which tax is imposed under this subsection."

SEC. 623. Sale and Use of Toilet Preparations by Beauty Parlors, Etc.

Section 2402 (b) is amended to read as follows:

"(b) Beauty Parlors, Etc.—For the purposes of subsection (a), the sale of any artcile described in such subsection to any person operating a barber shop, beauty parlor, or similar establishment for use in the operation thereof and not for resale, shall be considered a sale at retail. The use in such opertaion of any article described in subsection (a) purchased by such person on or after the effective date of section 622 of the Revenue Act of 1942 for resale, shall be considered a sale at retail by such person at the time the article is first set apart for such use and at a price equivalent to the amount paid by him for the article."

TITLE VII—SOCIAL SECURITY TAXES

SEC. 701. Automatic Increase in 1943 Rate not to Apply

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1944 and 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar years 1944 and 1945, the rate shall be 2 per centum."

TITLE VIII—RENEGOTIATION OF WAR CONTRACTS

SEC. 801. Renegotiation of War Contracts

(a) Subsections (a), (b), and (c) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), are amended to read as follows:

"Sec. 403. (a) For the purposes of this section—

"(1) The term 'Department' means the War Department, the Navy Department, the Treasury Department, and the Maritime Commission, respectively.

"(2) In the case of the Maritime Commission, the term 'Secretary' means the Chairman of such Commission.

"(3) The terms 'renogotiate' and 'renegotiation' include the refixing by the Secretary of the Department of the contract price.

"(4) The term 'excessive profits' means any amount of a contract or subcontract price which is found as a result of renegotiation to represent excessive profits.

"(5) The term 'subcontract' means any purchase order or agreement to perform all or any part of the work, or to make or furnish any article, required for the performance of another contract or subcontract. The term 'article' includes any material, part, assembly, machinery, equipment, or other personal property.

"For the purposes of subsections (d) and (e) of this section, the term 'contract' includes a subcontract and the term 'contractor' includes a subcontractor.

"(b) Subject to subsection (i), the Secretary of each Department is authorized and directed to insert in any contract for an amount in excess of $100,000 hereafter made by such Department—

"(1) a provision for the renegotiation of the contract price at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty;

"(2) a provision for the retention by the United States from amounts otherwise due the contractor, or for the repayment by him to the United States, if paid to him, of any excessive profits not eliminated through reductions in the contract price, or otherwise, as the Secretary may direct;

"(3) a provision requiring the contractor to insert in each subcontract for an amount in excess of $100,000 made by him under such contract (i) a provision for the renegotiation by such Secretary and the subcontractor of the contract price of the subcontract at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty, (ii) a provision for the retention by the contractor for the United States of the amount of any reduction in the contract price of any subcontract pursuant to its renegotiation hereunder, or for the repayment by the subcontractor to the United States of any excessive profits from such subcontract paid to him and not eliminated through reductions in the contract price or otherwise, as the Secretary may direct, and (iii) a provision for relieving the contractor from any liability to the subcontractor on account of any amount so retained by the contractor or repaid by the subcontractor to the United States, and (iv) in the discretion of the Secretary, a provision requiring any subcontractor to insert in any subcontract made by him under such subcontract, provisions corresponding to those of subparagraphs (3) and (4) of this subsection (b); and

"(4) a provision for the retention by the United States from amounts otherwise due the contractor, or for repayment by him to the United States, as the Secretary may direct, of the amount of any reduction in the contract price of any subcontract under such contract, which the contractor is directed, pursuant to clause (3) of this subsection, to withhold from payments otherwise due the subcontractor and actually unpaid at the time the contractor receives such direction.

"The provision for the renegotiation of the contract price, in the discretion of the Secretary, (i) may fix the period or periods when or within which renegotiation shall be had; and (ii) if in the opinion of the Secretary the provisions of the contract or subcontract are otherwise adequate to prevent excessive profits, may provide that renegotiation shall apply only to a portion of the contract or subcontract or shall not apply to performance during a specified period or periods and may also provide that the contract price in effect during any such period or periods shall not be subject to renegotiation.

"(c) (1) Whenever, in the opinion of the Secretary of a Department, the profits realized or likely to be realized from any contract with such Department, or from any subcontract thereunder whether or not made by the contractor, may be excessive, the Secretary is authorized and directed to require the contractor or subcontractor to renegotiate the contract price. When the contractor or subcontractor holds two or more contracts or subcontracts the Secretary in his discretion, may renegotiate to eliminate excessive profits on some or all of such contracts and subcontracts as a group without separately renegotiating the contract price of each contract or subcontract.

"(2) Upon renegotiation, the Secretary is authorized and directed to eliminate any excessive profits under such contract or subcontract (i) by reductions in the contract price of the contract or subcontract, or by other revision in its terms; or (ii) by withholding, from amounts otherwise due to the contractor or subcontractor, any amount of such excessive profits; or (iii) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to the subcontractor, any amount of such excessive profits under the subcontract; or (iv) by recovery from the contractor or subcontractor, through repayment, credit or suit, of any amount of such excessive profits actually paid to him; or (v) by any combination of these methods, as the Secretary deems desirable. The Secretary may bring actions on behalf of the United States in the appropriate courts of the United States to recover from such contractor or subcontractor, any amount of such excessive profits actually paid to him and not withheld or eliminated by some other method under this subsection. The surety under a contract or subcontract shall not be liable for the repayment of any excessive profits thereon. All money recovered by way of repayment or suit under this subsection shall be covered into the Treasury as miscellaneous receipts.

"(3) In determining the excessiveness of profits realized or likely to be realized from any contract or subcontract, the Secretary shall recognize the properly applicable exclusions and deductions of the character which the contractor or subcontractor is allowed under Chapter 1 and Chapter 2E of the Internal Revenue Code. In determining the amount of any excessive profits to be eliminated hereunder the Secretary shall allow the contractor or subcontractor credit for Federal income and excess profits taxes as provided in section 3806 of the Internal Revenue Code.

"(4) Upon renegotiation pursuant to this section, the Secretary may make such final or other agreements with a contractor or subcontractor for the elimination of excessive profits and for the discharge of any liability for excessive profits under this section, as the Secretary deems desirable. Such agreements may cover such past and future period or periods, may apply to such contract or contracts of the contractor or subcontractor, and may contain such terms and conditions, as the Secretary deems advisable. Any such agreement shall be final and conclusive according to its terms; and except upon a showing of fraud or malfeasance or a wilful misrepresentation of a material fact, (i) such agreement shall not be reopened as to the matters agreed upon, and shall not be modified by any officer, employee, or agent of the United States; and (ii) such agreement and any determination made in accordance therewith shall not be annulled, modified, set aside, or disregarded in any suit, action, or proceeding.

"(5) Any contractor or subcontractor who holds contracts or subcontracts, to which the provisions of this section are applicable, may file with the Secretaries of all the Departments concerned statements of actual costs of production and such other financial statements for any prior fiscal year or years of such contractor or subcontractor, in such form and detail, as the Secretaries shall prescribe by joint regulation. Within one year after the filing of such statements, or within such shorter period as may be prescribed by such joint regulation, the Secretary of a Department may give the contractor or subcontractor written notice, in form and manner to be prescribed in such joint regulation, that the Secretary is of the opinion that the profits realized from some or all of such contracts or subcontracts may be excessive, and fixing a date and place for an initial conference to be held within sixty days thereafter. If such notice is not given and renegotiation commenced by the Secretary within such sixty days the contractor or subcontractor shall not thereafter be required to renegotiate to eliminate excessive profits realized from any such contract or subcontract during such fiscal year or years and any liabilities of the contractor or subcontractor for excessive profits realized during such period shall be thereby discharged.

"(6) This subsection (c) shall be applicable to all contracts and subcontracts hereafter made and to all contracts and subcontracts heretofore made, whether or not such contracts or subcontracts contain a renegotiation or recapture clause, unless (i) final payment pursuant to such contract or subcontract was made prior to April 28, 1942, or (ii) the contract or subcontract provides otherwise pursuant to subsection (b) or (i), or is exempted under subsection (i), of this section 403, or (iii) the aggregate sales by the contractor or subcontrator, and by all persons under the control of or controlling or under common control with the contractor or subcontractor, under contracts with the Departments and subcontracts thereunder do not exceed, or in the opinion of the Secretary concerned will not exceed, $100,000 for the fiscal year of such contractor or subcontractor.

"No renegotiation of the contract price pursuant to any provision therefor, or otherwise, shall be commenced by the Secretary more than one year after the close of the fiscal year of the contractor or subcontractor within which completion or termination of the contract or subcontract, as determined by the Secretary, occurs."

(b) Subsection (f) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), is amended to read as follows:

"(f) Subject to any regulations which the President may prescribe for the protection of the interests of the Government, the authority and discretion herein conferred upon the Secretary of each Department may be delegated in whole or in part by him to such individuals or agencies as he may designate in his Department, or in any other Department with the consent of the Secretary of that Department, and he may authorize such individuals or agencies to make further delegations of such authority and discretion."

(c) Section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), is amended by adding at the end thereof the following subsections:

"(i) (1) The provisions of this section shall not apply to—

"(i) any contract by a Department with any other department, bureau, agency, or governmental corporation of the United States or with any Territory, possession, or State or any agency thereof or with any foreign government or any agency thereof; or

"(ii) any contract or subcontract for the product of a mine, oil or gas well, or other mineral or natural deposit, or timber, which has not been processed, refined, or treated beyond the first form or state suitable for industrial use; and the Secretaries are authorized by joint regulation, to define, interpret, and apply this exemption.

"(2) The Secretary of a Department is authorized, in his discretion, to exempt from some or all of the provisions of this section—

"(i) any contract or subcontract to be performed outside of the territorial limits of the continental United States or in Alaska;

"(ii) any contracts or subcontracts under which, in the opinion of the Secretary, the profits can be determined with reasonable certainty when the contract price is established, such as certain classes of agreements for personal services, for the purchase of real property, perishable goods, or commodities the minimum price for the sale of which has been fixed by a public regulatory body, of leases and license agreements, and of agreements where the period of performance under such contract or subcontract will not be in excess of thirty days; and

"(iii) a portion of any contract or subcontract or performance thereunder during a specified period or periods, if in the opinion of the Secretary, the provisions of the contract are otherwise adequate to prevent excessive profits.

The Secretary may so exempt contracts and subcontracts both individually and by general classes or types.

"(j) Nothing in sections 109 and 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203) or in section 190 of the Revised Statutes (U. S. C., title 5, sec. 99) shall be deemed to prevent any person appointed by the Secretary of a Department for intermittent and temporary employment in such Department, from acting as counsel, agent, or attorney for prosecuting any claim against the United States: *Provided*, That such person shall not prosecute any claim against the United States (1) which arises from any matter directly connected with which such person is employed, or (2) during the period such person is engaged in intermittent and temporary employment in a Department."

(d) The amendments made by this section shall be effective as of April 28, 1942.

Approved, October 21, 1942, 4:30 p. m.